

CASE

NUMBER:

99-265

HISTORY INDEX FOR CASE: 1999-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
Rates - General

IN THE MATTER OF AN APPLICATION OF THE SHELBYVILLE MUNICIPAL
WATER AND SEWER COMMISSION FOR A RATE ADJUSTMENT TO WEST
SHELBY WATER DISTRICT

SEQ NBR	ENTRY DATE	REMARKS
M0005	10/05/1949	DONALD PRATHER WEST SHELBY-MOTION FOR EXTENSION OF TIME
M0001	06/10/1999	FRANK CHUPPE-NOTICE OF INTENT TO FILE RATE APPLICATION
0001	06/30/1999	Notice of Intent Acknowledgement letter.
0002	08/03/1999	Application.
0003	08/09/1999	Acknowledgement letter.
0004	08/16/1999	No deficiencies letter
M0002	08/27/1999	DONALD PRATHER WEST SHELBY WATER DIS-MOTION FOR FULL INTERVENTION
0005	09/03/1999	Procedural Schedule Order; also grants West Shelby Water District intervention.
M0003	09/03/1999	FRANK CHUPPE CITY OF SHELBYVILLE-RESPONSE,MOTION FOR FULL INTERVENTION & MOTION TO SUSPEND
M0004	09/27/1999	FRANK F. CHUPPE/S.M.W.S.C.-TESTIMONY; GENE FOUTS & WILLIS D. JACKSON
M0006	10/04/1999	DONALD PRATHER/WEST SHELBY WD-MOTION FOR EXTENSION OF TIME & MOTION TO AMEND FILING
M0007	10/06/1999	FRANK CHUPPE-PETITIONERS MOTION TO FILE CORRECTED TESTIMONY,RESP TO INTERVENOR,RES
M0008	10/06/1999	FRANK CHUPPE-TESTIMONY OF WILLIS JACKSON
M0009	10/06/1999	FRANK CHUPPE-AFFIDAVIT OF WILLIS JACKSON
M0010	10/06/1999	FRANK CHUPPE-RESPONSE TO WEST SHELBY'S MOTION TO AMEND MOTION FOR FULL INTERVENTION
M0011	10/06/1999	FRANK CHUPPE-RESPONSE TO INTERVENOR WEST SHELBY WD MOTION FOR EXTENSION OF TIME
0006	10/08/1999	Order setting forth a revised procedural schedule to be followed.
0007	10/12/1999	Data Request Order, response due 10/22/99.
M0012	10/13/1999	DONALD PRATHER WEST SHELBY WD-INTERVENORS REQ FOR INFORMATION
0008	10/21/1999	Order granting Shelbyville's motion to correct testimony of Willis D. Jackson.
M0013	10/21/1999	DONALD PRATHER SHELBYVILLE WATER & S-JOINT MOTION TO ALTER PROCEDURAL SCHEDULE
0009	11/04/1999	Order granting Joint Motion to Alter Procedural Schedule; proc.sched.in App.A.
M0014	11/22/1999	FRANK CHUPPE CITY OF SHELBYVILLE-MOTION FOR APPROVAL OF CONTRACT AMENDMENT
M0015	12/03/1999	DONALD PRATHER WEST SHELBY WD-INTERVENORS MOTION FOR APPROVAL OF CONTRACT AMENDMENT
0010	01/20/2000	FINAL ORDER APPROVING SETTLEMENT AGREEMENT
M0016	01/26/2000	SHELBYVILLE MUNICIPAL WATER & SEWER-TARIFF



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on January 20, 2000.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney for City of Shelbyville &
Shelbyville Municipal Water & Sewer
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

Honorable Donald T. Prather
Attorney for West Shelby Water
Mathis Riggs & Prather, P.S.C.
P.O. Box 1059
500 Main Street
Shelbyville, KY. 40066 1059

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

The Shelbyville Water and Sewer Commission ("Shelbyville") and West Shelby Water District ("West Shelby") have agreed upon rates and conditions of service that Shelbyville will impose for wholesale water service and submitted this Agreement to the Commission. This action follows Shelbyville's application for an adjustment of its current wholesale rate, West Shelby's objection to the proposed adjustment, and the initiation of this proceeding to investigate the proposed adjustment.

Having considered the Agreement and being otherwise sufficiently advised, the Commission finds that the agreed rate and conditions of service should be approved. The purpose of the Commission's jurisdiction over a municipal utility's wholesale transactions with a public utility is to ensure that any public utility "consumer/customer that has contracted and become dependent for its supply of water from a city utility is not subject to either excessive rates or inadequate service." Simpson County Water District v. City of Franklin, Ky., 872 S.W.2d 460, 465 (1994).

In the case at bar, this purpose has been served. The public utility that purchases water from Shelbyville made clear its objections to the proposed rate adjustment. Shelbyville has apparently addressed West Shelby's concerns and the parties have

reached agreement on the appropriate rates for service for future years and the maximum quantity of water that West Shelby may purchase from Shelbyville on a monthly basis.

As the Settlement Agreement on its face appears neither unreasonable nor unconscionable, the Commission sees no need to conduct further proceedings in this matter.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, a copy of which is appended hereto, is approved.
2. The rates and conditions of service for wholesale water service set forth in the Settlement Agreement are approved for service rendered by Shelbyville to West Shelby on and after the date of this Order.
3. Shelbyville shall, within 30 days of the date of this Order, file tariff sheets that reflect the rate and conditions of service approved herein.

Done at Frankfort, Kentucky, this 20th day of January, 2000.

By the Commission

ATTEST:


Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-265 DATED JANUARY 20, 2000

CONTRACT AMENDMENT

Date: November 15, 1999

West Shelby Water District ("West Shelby") and the Shelbyville Municipal Water and Sewer Commission ("Commission") hereby amend any prior agreements between West Shelby and the Commission as follows:

1. As of January 1, 2000, the new wholesale water rate charged by the Commission to West Shelby shall be \$1.55 per thousand gallons.

2. The Commission shall not increase the wholesale water rate to West Shelby above \$1.55 per thousand gallons until January 1, 2001, after which time such rate will be subject to a percentage increase no greater than the percentage increase imposed at the same time on the Commission's customer(s) with the lowest rate.

3. Effective January 1, 2001, paragraph 8 of the October 13, 1987 Amended Water Purchase Agreement is deleted and the following language is inserted in lieu thereof:

The parties agree that the Commission will furnish and sell to the District and the District shall purchase and pay for an amount of treated water which shall not exceed 12 million gallons in any month except in case of main break and shall not be less than 5,250,000 gallons each month; provided, however, that the minimum monthly usage shall be calculated on an annual average basis (calendar year).

If requested by West Shelby, beginning in 2001, the parties agree that West Shelby and the Commission shall negotiate a further reduction of the aforementioned maximum and minimum purchase limits.

4. By virtue of this Contract Amendment, that portion of the previous agreement(s) of West Shelby and the Commission which provides that West Shelby shall not be charged a higher rate than the lowest rate for the Commission's own customers is no longer applicable.

5. This Contract Amendment shall take precedence over any contradictory provision of any other agreement between West Shelby and the Commission.

6. Every other provision of every agreement between West Shelby and the Commission not in conflict with this Contract Amendment shall remain in effect, including the termination provision contained in paragraph 1 of page 5 of the January 31, 1966 Agreement.

7. West Shelby and the Commission agree to jointly seek approval of this Contract Amendment from the Kentucky Public Service Commission.

WEST SHELBY WATER DISTRICT

By:

Ray Darme
Ray Darme, Chairman

SHELBYVILLE MUNICIPAL WATER &
SEWER COMMISSION

By:

David B. Eaton
David B. Eaton, Chairman

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

RECEIVED
DEC 03 1999
PUBLIC SERVICE
COMMISSION
HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0687

December 2, 1999

Ms. Helen Helton, Executive Director
PUBLIC SERVICE COMMISSION
P.O. Box 615
Frankfort, Kentucky 40602-0615

**RE: The Proposed Adjustment of the Shelbyville Water and
Sewer Commission's Wholesale Water Service Rate to
West Shelby Water District
Case No. 99-265**

Dear Ms. Helton:

Please find enclosed the original and thirteen (13) copies of West Shelby Water District's Intervenor's Motion for Approval of Contract Amendment for filing in the above-referenced matter. Thank you.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 
Donald T. Prather

DTP\mew
Enc. - 0+13 Intervenor's Motion for Approval of Contract Amendment
cc: Frank Chuppe; West Shelby Water District; Warner A. Broughman, III
ldon\helton.ltr

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC 03 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

INTERVENOR'S MOTION FOR APPROVAL OF
CONTRACT AMENDMENT

*** ** *** ** *** ** ***

The Intervenor, West Shelby Water District, concurs with the recently filed Motion by the Petitioners for approval of the Contract Amendment dated November 15, 1999 between West Shelby Water District and the Shelbyville Municipal Water and Sewer Commission.

WHEREFORE, West Shelby Water District respectfully requests that the Public Service Commission enter an Order approving such Contract Amendment.

Respectfully submitted,

MATHIS, RIGGS & PRATHER, PSC
P.O. Box 1059
Telephone: (502) 633-5220
Fax #: (502) 633-0667



DONALD T. PRATHER
Attorney for West Shelby
Water District

CERTIFICATE OF SERVICE

I, the undersigned attorney, do hereby certify that a true and correct copy of the foregoing was this day mailed, postage pre-paid to:

Hon. Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY 40202-2898
Attorney for City of Shelbyville and
Shelbyville Municipal Water and Sewer Commission

and the original for filing to:

Commonwealth of Kentucky
PUBLIC SERVICE COMMISSION
P.O. Box 615
Frankfort, KY 40602-0615

all this the 2nd day of December, 1999.



DONALD T. PRATHER

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

November 19, 1999

RECEIVED
NOV 22 1999
PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

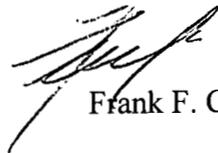
RE: Proposed Adjustment of the Shelbyville Municipal Water and Sewer
Commission's Wholesale Water Service Rate to West Shelby Water District
Case No. 99-265

Dear Stephanie:

Enclosed please find Petitioners' Motion for Approval of Contract Amendment which we
are submitting for filing in the above-referenced case.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
20035734.1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 22 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

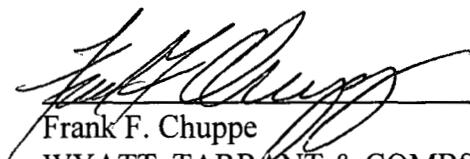
PETITIONERS' MOTION FOR APPROVAL OF CONTRACT AMENDMENT

The Petitioners City of Shelbyville and Shelbyville Municipal Water and Sewer Commission move the Public Service Commission to approve the Contract Amendment attached hereto which has been approved by both the Shelbyville Municipal Water and Sewer Commission and the Intervenor West Shelby Water District.

The Contract Amendment represents a negotiated settlement between the parties that is fair and reasonable, and which, if approved by the Public Service Commission, will be followed by Petitioners' Motion to Dismiss this proceeding.

Wherefore, the Petitioners respectfully request that the Public Service Commission enter an Order approving the attached Contract Amendment entered into by Shelbyville Municipal Water and Sewer Commission and West Shelby Water District.

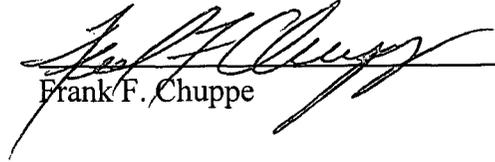
Respectfully submitted,



Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336
Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 11 day of November, 1999, upon Donald T. Prather, MATHIS, RIGGS & PRATHER, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe

20105522.1
11/19/99 4:46 PM

CONTRACT AMENDMENT

Date: November 15, 1999

West Shelby Water District ("West Shelby") and the Shelbyville Municipal Water and Sewer Commission ("Commission") hereby amend any prior agreements between West Shelby and the Commission as follows:

1. As of January 1, 2000, the new wholesale water rate charged by the Commission to West Shelby shall be \$1.55 per thousand gallons.

2. The Commission shall not increase the wholesale water rate to West Shelby above \$1.55 per thousand gallons until January 1, 2001, after which time such rate will be subject to a percentage increase no greater than the percentage increase imposed at the same time on the Commission's customer(s) with the lowest rate.

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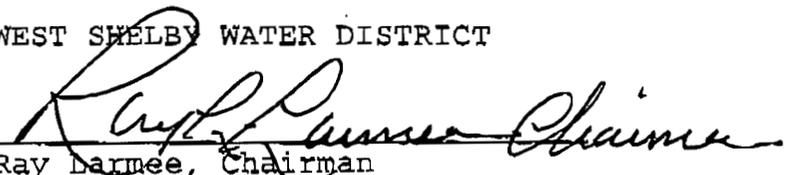
5. This Contract Amendment shall take precedence over any contradictory provision of any other agreement between West Shelby and the Commission.

6. Every other provision of every agreement between West Shelby and the Commission not in conflict with this Contract Amendment shall remain in effect, including the termination provision contained in paragraph 1 of page 5 of the January 31, 1966 Agreement.

7. West Shelby and the Commission agree to jointly seek approval of this Contract Amendment from the Kentucky Public Service Commission.

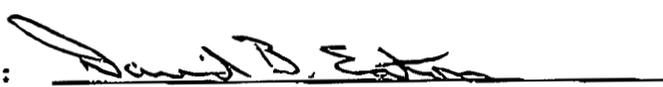
WEST SHELBY WATER DISTRICT

By:


Ray Larnie, Chairman

SHELBYVILLE MUNICIPAL WATER &
SEWER COMMISSION

By:


David B. Eaton, Chairman



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 4, 1999

To: All parties of record

RE: Case No. 99-265

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Attorney for City of Shelbyville &
Shelbyville Municipal Water & Sewer
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

Honorable Donald T. Prather
Attorney for West Shelby Water
Mathis Riggs & Prather, P.S.C.
P.O. Box 1059
500 Main Street
Shelbyville, KY 40066 1059

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

West Shelby Water District ("West Shelby District") and the city of Shelbyville, Kentucky ("Shelbyville") have jointly moved for suspension of the present procedural schedule to allow for settlement negotiations. Having considered the motion, the Commission HEREBY ORDERS that:

1. The Joint Motion to Alter Procedural Schedule is granted.
2. The procedural schedule set forth in Appendix A shall be followed.
3. All provisions of the Commission's Order of September 3, 1999 not in conflict with this Order remain in effect.

Done at Frankfort, Kentucky, this 4th day of November, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-265 DATED 11/4/99

Shelbyville shall file with the Commission and serve upon all parties
of record its responses to the requests for information no later than 11/29/1999

All supplemental requests for information shall be
served upon Shelbyville no later than 12/13/1999

Shelbyville shall file with the Commission and serve upon all parties
of record its responses to supplemental requests for information
no later than 12/27/1999

Intervenor testimony, if any, shall be filed with the Commission
and served upon all parties of record in verified prepared form
no later than 01/10/2000

All requests for information to
Intervenors shall be served no later than 01/24/2000

Intervenors shall file with the Commission and serve upon all parties
of record its responses to requests for information no later than 02/07/2000

Public Hearing is to begin at 9:30 a.m., Eastern
Time, in the Commission's offices at 211 Sower Boulevard,
Frankfort, Kentucky, for the purpose of cross-examination of witnesses 02/15/2000



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 21, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

RE: Case No. 99-265

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in black ink that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

Shelbyville Municipal Water and Sewer Commission ("Shelbyville") has moved for leave to file corrected testimony of Willis D. Jackson. No objections to the motion have been filed with the Commission. Finding that good cause exists to grant the motion, the Commission HEREBY ORDERS that:

1. Shelbyville's Motion to File Corrected Testimony is granted.
2. The original version of Willis D. Jackson's testimony is hereby stricken and replaced with the corrected version attached to Shelbyville's motion.

Done at Frankfort, Kentucky, this 21st day of October, 1999.

By the Commission

ATTEST:


Executive Director

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

RECEIVED

OCT 2 1999

PUBLIC SERVICE
COMMISSION

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

October 19, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

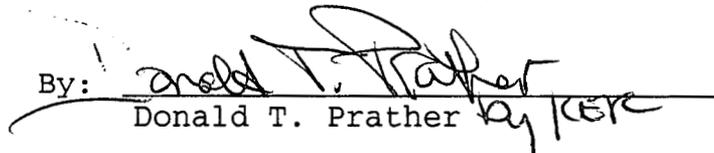
Re: The Proposed Adjustment of the Shelbyville Water and
Sewer Commission's Wholesale Water Service Rate to West
Shelby Water District
Case No. 99-265

Dear Ms. Helton:

We enclose the original and thirteen copies of the Joint
Motion to Alter Procedural Schedule for filing in the above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 

Donald T. Prather *by kere*

DTP/kr

Enclosures

cc: Frank Chuppe, via Facsimile (502) 589-0309

West Shelby Water District

Warner A. Broughman, III

Commissioner John Frazier

Commissioner Robert McDowell

Commissioner Ray Larmee

2WTR\WS\PSC\99265\PSC3.LTR

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 21 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

JOINT MOTION TO ALTER PROCEDURAL SCHEDULE

The Petitioners City of Shelbyville and Shelbyville Municipal Water and Sewer Commission and the Intervenor West Shelby Water District jointly move the Public Service Commission to alter the procedural schedule in the manner set forth below. In support of the Motion the parties have decided to discuss the possibility of reaching a negotiated settlement. In order to avoid the cost of further litigation during the pendency of settlement negotiations, the parties propose that the procedural deadlines in this case be suspended for a period of 15 days beginning on Wednesday, October 20, 1999. If at the end of said 15-day period the parties are not able to reach a negotiated settlement of this matter, they will jointly ask the Public Service Commission to institute a new procedural schedule which will give Shelbyville an additional 20 days to respond to the Commission and West Shelby's pending request for information.

Such an extension is necessary for two reasons, due to a limited staff, previous commitments of its manager, and the extensive nature of the Commission's document request, Shelbyville will need an additional 20 days to complete this request. Furthermore, it would be preferable if Shelbyville was not required to incur the substantial additional expense (e.g. additional expert witness fees and staff time incurred in responding to the information requests), which expense would be avoided if this matter is ultimately settled, and which expense Shelbyville might otherwise

seek to recoup from West Shelby. Therefore, allowing for an additional period of time after the settlement negotiations to answer the requests for information is both reasonable and will foster the chances of settlement by reducing the overall costs incurred.

The parties realize that this request may result in a rescheduling of the December 21, 1999 Hearing to which they do not object. Furthermore, if the Commission grants this joint motion, Shelbyville agrees that if this matter is not settled, it will suspend the implementation of its rate increase until March 31, 1999, to allow sufficient time for the completion of this proceeding.

Wherefore, the Petitioner and Intervenor move the Public Service Commission to suspend this proceeding for a period of 15 days beginning on October 20, to allow the parties to conduct settlement negotiations, and to order that if the settlement negotiations are successful the parties shall prepare a settlement agreement to present to the Public Service Commission for its approval, and if settlement negotiations are not successful, the Public Service Commission shall implement a new procedural schedule which will include giving Shelbyville at least 20 additional days in which to respond to the pending requests for information.

Respectfully submitted,



Donald T. Prather
Mathis Riggs & Prather, P.S.C.
P.O. Box 1059
500 Main Street
Shelbyville, KY 40066-1059
Counsel for West Shelby Water District



Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336
Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0867

RECEIVED

OCT 13 1999

PUBLIC SERVICE
COMMISSION

October 12, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

VIA FEDERAL EXPRESS

Re: The Proposed Adjustment of the Shelbyville Water and
Sewer Commission's Wholesale Water Service Rate to West
Shelby Water District
Case No. 99-265

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Intervenor's Request for Information for filing in
the above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 

Donald T. Prather

DTP/kr
Enclosures
cc: Frank Chuppe
West Shelby Water District
Warner A. Broughman, III

2WTR\WS\PSC\99265\PSC2.LTR

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 13 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

INTERVENOR'S REQUESTS FOR INFORMATION

In accordance with the Order of the Commission on September 3, 1999, West Shelby Water District ("West Shelby") hereby submits the following supplemental request for information to the Shelbyville Municipal Water & Sewer Commissions ("Shelbyville"). West Shelby asks that the questions be answered fully and completely, and that documentation be provided as requested or as needed to fully evaluate Shelbyville's proposed rate. West Shelby requests that Shelbyville include with each response the name of the witness who provided the response.

1. Please supply copies of a map or maps showing Shelbyville's water system including water line sizes and showing the location of water tanks, pump stations, water plant, and the West Shelby and North Shelby Water Company master meters.

2. With respect to Shelbyville's water treatment plant, please state the amount of water produced during the one year test period ending June 30, 1998, and please state the amount of water used for back washing and other plant uses. Please provide this same information for the year ending June 30, 1999.

3. With respect to the one year test period ending June 30, 1998, please state the amount of water produced by Shelbyville's plant, the amount of water sold by Shelbyville, the amount of water consumed for other uses (please specify each use), and the amount of water unaccounted

for. Please provide this same information for the year ending June 30, 1999.

4. Please provide Shelbyville's debt service cost for the following items:

a) Water treatment plant, intake, raw waterline, ground storage tank and other plant or reservoir related facilities.

b) Overhead water tanks, broken down by individual specified tanks.

c) Water lines.

d) Pump stations, broken down by individual specified stations.

5. Please provide your current rates and a description of the categories for each rate (for example, residential, commercial, industrial, etc.).

6. Please produce a current copy of the City of Shelbyville system development charge ordinance, as amended, and a copy of any rules or regulations which Shelbyville has adopted relating thereto.

7. With respect to the system development charge, has such a charge ever been assessed, due to increased capacity or consumption, against any existing customer on the Shelbyville system? If so, please identify the three customers inside the Shelbyville city limits and the three customers outside the Shelbyville city limits who were assessed the largest system development charge, the amount of each system development charge, and the before and after water usage upon which the charge was calculated.

8. With respect to the system development charge, has this charge (imposed due to increased capacity or consumption) ever been waived for any existing customer on the Shelbyville system? If so, please name the customer and specify whether the customer received service inside the

city limits of Shelbyville or outside the city limits of Shelbyville.

9. With respect to the system development charge, please specify the amount which would be charged West Shelby to extend West Shelby's current contract so that it will be a 42 year supply contract.

10. With respect to the system development charge, please specify how much would be charged to increase the West Shelby contract maximum by 50%, or from 16 million gallons to 24 million gallons per month. Please specify the charge which would be assessed to increase West Shelby's maximum monthly limit by the same percentage which the capacity of the Shelbyville water treatment plant was increased by the recent plant expansion.

11. Please produce a copy of the City of Shelbyville penalty ordinance which assesses a higher charge per thousand gallons of water used over West Shelby's contract maximum limit, together with any rules or regulations adopted by Shelbyville relating thereto.

12. Please state whether Shelbyville has the authority to wave the system development charge.

13. Please state whether Shelbyville has the authority to wave the penalty surcharge?

14. If it has not already been filed in the record of this proceeding, please produce a copy of the March, 1998 Howard K. Bell Utility Financial Study.

15. Please state what the proposed rate would be to West Shelby pursuant to the "lowest rate" provision of the current West Shelby-Shelbyville water supply contract (specifically page 4, paragraph 4 of the January 31, 1966 Agreement which is a part thereof), and when the contract is interpreted consistently historical with the interpretation of said provision.

16. What is Shelbyville's lowest rate per 1000 gallons?

17. Please provide the cost of electrical power for the following categories: water treatment plant, office, and individual pump stations.

18. Please state the amount of treated water produced on the maximum production day during the test year ending June 30, 1998. Please provide this information for the year ending June 30, 1999.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather, Esq.
Attorney for West Shelby Water District
P.O. Box 1059, 500 Main St.
Shelbyville, KY 40066-1059
PHONE: (502) 633-5220
FAX: (502) 633-0667

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing was mailed this 12th day of October, 1999 to:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202



Donald T. Prather

2wtr\ws\request.inf



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 12, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

RE: Case No. 99-265

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

IT IS ORDERED that the Shelbyville Water and Sewer Commission ("Shelbyville") shall file the original and 8 copies of the following information with the Commission no later than October 22, 1999, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. a. Provide in the same format as Format 1a the following information about each Shelbyville employee:

(1) Position title;

- (2) Department assigned;
- (3) Regular hours worked in 1998;
- (4) Overtime hours worked in 1998;
- (5) His wage rate effective January 1, 1997;
- (6) His wage rate effective January 1, 1998; and,
- (7) His wage rate effective January 1, 1999.

b. For each employee provide in the same format as Format 1b an allocation by account of the 1998 regular and overtime hours.

c. Calculate Shelbyville's *pro forma* salaries in the same format as Format 1c using:

- (1) The actual regular hours for 1998;
- (2) The actual overtime hours for 1998; and,
- (3) The January 1, 1999 wage rates.

2. Explain why Shelbyville used a two-year average percentage increase rather than apply the wages effective January 1, 1999 to the actual hours worked in 1998 to arrive at its *pro forma* salaries.

3. a. Refer to "Water Utility Cost of Service Study," Exhibit 1. For each account, provide a detailed analysis by division in the same format as Format 3a:

(1) Laboratory Expense	\$ 33,048
(2) Supplies – Plant	\$ 121,244
(3) Maint Materials – Plant Equipment	\$ 73,353

b. For each item listed above that is greater than \$1,000, provide the supporting invoice.

4. Provide the invoices for the following insurance policies for 1998 and 1999:

- a. Workers' Compensation.
- b. Property & Liability.
- c. Employee – Health Insurance (invoices for December 1998 and September 1999).
- d. Employee – Dental Insurance (invoices for December 1998 and September 1999).
- e. Other Insurance Coverage.

5. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 2. Shelbyville allocated utilities, janitorial, cleaning supplies, and maintenance expenses evenly between its water and sewer divisions, but allocated office salaries and office supplies and expenses based on the number of customers. Explain why Shelbyville used two different allocation methods for its office expenses.

6. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 2-3. For each operating expense listed below, explain and provide documentary evidence to support the use of Method 2, Number of Customers Percentage, to allocate the expense:

- a. Office Salaries.
- b. Managerial Salaries.
- c. Office Supplies and Expenses.
- d. Interest - Customer Deposits.

7. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 3. For each plant investment listed below, explain and provide documentary evidence to support the use of Method 2, Number of Customers Percentage, to allocate the plant investment:

- a. Distribution Facilities.
- b. Office & Administrative Building.
- c. Equipment.

8. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 3. Explain why Shelbyville allocates its distribution facilities between its water and sewer divisions rather than directly book the assets to the appropriate division.

9. Refer to "Water Utility Cost of Service Study," Exhibit 2.

a. Provide individual amortization schedules (with separate columns for principal and interest payments) for:

- (1) 1991 Kentucky League of Cities ("KLC") bond issuance.
- (2) 1996 KLC bond issuance.
- (3) 1998a KLC refinancing bond issue.

b. Provide an amortization schedule (with separate columns for principal and interest payments) for the 1996 KLC bonds after the 1998 refinancing.

10. Refer to "Water Utility Cost of Service Study," Exhibit 4. For each of the depreciation expenses listed below, explain and provide documentary evidence to support the use of Method 2, Number of Customers Percentage, to allocate the depreciation expense:

- a. Office Building.
- b. Shop Building.

- c. Miscellaneous Structures.
- d. Safety Equipment.
- e. Transportation Equipment.
- f. Shop Equipment.

11. Refer to "Water Utility Cost of Service Study," Exhibit 5 at 3-4.

a. Shelbyville used Method 1, Direct Labor Percentage, to allocate workers' compensation premium, employee health insurance premium, and employee dental insurance premium between its water and sewer divisions. These premiums, however, are related to both direct labor and office labor. Explain why Shelbyville used only one allocation method for these insurance premiums.

b. Recalculate the allocation of workers' compensation premium, employee health insurance premium, and employee dental insurance premium by (1) separating the premiums between direct labor and office/managerial labor and (2) using the appropriate allocation factor. Provide all workpapers, state all assumptions, and show all calculations used to make these recalculations.

c. Provide all workpapers, state all assumptions, and show all calculations used to calculate the combined debt service for the water division of \$619,379.

d. Shelbyville adjusted its depreciation expense by \$164,330 to reflect the improvements (i.e., water plant expansion, water main, and elevated storage tank) initiated in 1998. For each improvement, state:

- (1) The date construction began.
- (2) The estimated completion date.

- (3) The estimated cost of construction.
- (4) The construction cost incurred through September 30, 1999.
- (5) The estimated percentage of construction completed by

September 30, 1999.

12. Refer to "Water Utility Cost of Service Study," Exhibit 8.

a. Reconcile the \$12,384,330 of Water Plant as of June 30, 1998 with the \$11,259,218 of Water Plant In Service from page 1 of the Audit Report dated June 30, 1998.

b. Provide the detailed workpapers, calculations, and assumptions used to arrive at the June 30, 1998 Utility Plant In Service of \$12,384,330.

13. Refer to "Water Utility Cost of Service Study," Exhibit 8. Provide the detailed workpapers, calculations, and assumptions used to allocate the June 30, 1998 accumulated depreciation to the water division.

14. Refer to "Water Utility Cost of Service Study," Exhibit 8.

a. Reconcile the \$4,660,000 in Construction Work In Progress ("CWIP") with the \$4,929,915 of system improvements in Adjustment F, Depreciation Expense, Exhibit 5 Test Year Revenue Requirements and Adjustments.

b. Explain why Shelbyville should be allowed to earn a return on investment in plant improvements that were not used and useful at the end of the test period.

c. In Case No. 10481,¹ the Commission stated that "adjustments for post test-period additions to plant in service should not be requested unless all revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions."

(1) Has Shelbyville updated its revenues, expenses, rate base, and capital to the same period as its system improvements?

(2) If yes, identify those items that have been updated to reflect the same period.

d. In the prior cases, the Commission has allowed the inclusion of CWIP in rate base, but has included in operating revenues the associated Allowance for Funds Used During Construction ("AFUDC").

(1) Does Shelbyville's pro forma operating revenue include AFUDC?

(2) (a) If yes, identify the amount included in pro forma operating revenue.

(b) If no, explain why AFUDC was not included in Shelbyville's pro forma operating revenue.

15. The general rule for Contributions In Aid of Construction ("CIAC") is "[t]hat any such contributions should be excluded from the rate base, since the related plant investment has not been financed by the utility, and customers should not therefore be

¹ Case No. 10481, Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on February 2, 1989 (August 22, 1989) at 5.

required to pay a return on the plant.”² Explain why, in light of this general rule, Shelbyville did not propose to reduce its rate base by the applicable CIAC and grants.

16. In its Balance Sheet of June 30, 1998, Shelbyville reported CIAC of \$2,641,954, Municipal Contributions of \$155,962, and Grants of \$5,664,960. How should each of these amounts be allocated between the water and sewer division? Provide all workpapers, state all assumptions, and show all calculations used to make these allocations.

17. Refer to “Water Utility Cost of Service Study,” Exhibit 9. The Balance Sheet for June 30, 1998, shows retained earnings of \$4,656,350. Of this amount, Shelbyville allocated \$4,238,313 or 91 percent of these earnings to its water division. Provide a detailed explanation for this allocation.

18. Explain why the overall capital structure for the combined water and sewer divisions should not be used in calculating the water division’s return on rate base.

19. Provide in the same format as Format 19, the weighted rate of return for the combined Shelbyville water and sewer divisions using (1) the June 30, 1998, Balance Sheet; (2) the average interest rate; and (3) the requested return on equity of 11 percent. Include all workpapers, state all assumptions, and show the calculations used to derive each capital component.

20. a. Provide the amount of System Development Charges (“SDC”) that Shelbyville’s water division has collected. Identify the account in which Shelbyville reports SDCs.

² Robert L. Hahne and Gregory E. Aliff, Accounting for Public Utilities § 4.04 (1991).

- b. Are SDCs a form of cost free capital similar to CIAC and grants?

Explain.

- 21. Refer to "Water Utility Cost of Service Study," Exhibit 1.
 - a. How are Shelbyville's rates for sewer service based (e.g., a flat sewer rate, a rate based on water usage)?
 - b. If Shelbyville's rates for sewer service are based on water usage, explain why a portion of the meter reading should not be allocated to the sewer operation.
- 22. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 3. Explain how Shelbyville allocated direct labor. Provide all workpapers, state all assumptions, and show all calculations used to make this allocation.
- 23. Refer to "Water Utility Cost of Service Study," Exhibit 1 at 3 and Exhibit 7. Why should \$6,106 of \$73,713 that Shelbyville transferred to the city be allocated to the cost of providing water service to West Shelby Water District ("West Shelby District")?
- 24. Refer to "Water Utility Cost of Service Study," Exhibit 6. Provide a breakdown of expenses that may be allocated as customer costs, such as meter reading.
- 25. Are the notes referring to the allocation basis in Exhibit 6 of "Water Utility Cost of Service Study" referring to the notes found in Exhibit 1, page 3 of "Water Utility Cost of Service Study"?
- 26. Refer to "Water Utility Cost of Service Study," Exhibit 7. Total pro forma expenses to serve West Shelby District are shown as \$218,776. Provide for each expense category a detailed explanation of how the expense level was determined.

Provide all workpapers, state all assumptions, and show all calculations used to make this determination.

27. a. What is the total inch miles of line in Shelbyville's system?
b. Of the total inch miles, how many are used jointly by Shelbyville and each of its wholesale customers?

28. a. How many water storage tanks does Shelbyville have in its water system?

b. Of this number, how many storage tanks are used to provide service to each of the wholesale customers?

29. a. How many booster pumps does Shelbyville have in its water system?

b. Of this number, how many booster pumps are used to provide service to each of the wholesale customers?

30. What portion, if any, of Shelbyville's water line(s) that serve the wholesale customers are gravity fed?

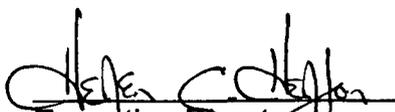
31. Complete the table below.

	Test Year Gallons
Plant Use	
Sales for Resale to North Shelby	
Sales for Resale to West Shelby	
Unmetered Water	
Free Water	
Total Produced and Purchased	
Total Sold	

Done at Frankfort, Kentucky, this 12th day of October, 1999.

By the Commission

ATTEST:


Executive Director

Shelbyville Municipal Water and Sewer Commission

CASE NO. 99-265

Salaries and Wages

Employee Name	Position Title	Hours Worked		Effective 1/1/97	Effective 1/1/98	Wages	
		Regular	Overtime			% Increase	Effective 1/1/99

Shelbyville Municipal Water and Sewer Commission

CASE NO. 99-265

Test-Period Hours Worked

Employee Name	Position Title	Account Title		Account Title		Account Title		Totals	
		Regular Hours	Overtime Hours						

Shelbyville Municipal Water and Sewer Commission

CASE NO. 99-265

Expense Analysis

Account No. & Title

Invoice Date	Vendor	Description	No.	Invoice Amount

Shelbyville Municipal Water and Sewer Commission

CASE NO. 99-265

Capital Structure & Weighted Cost of Capital

<u>Component of Capitalization</u>	<u>Capitalization Per Books Jun 30, 1998</u>	<u>Capitalization Ratios</u>	<u>Requested Returns</u>	<u>Weighted Cost of Capital</u>
Common Equity				
Long-Term Debt				
Short-Term Debt	_____	_____		_____
Total Capitalization	=====	=====		=====



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 8, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

RE: Case No. 99-265

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

West Shelby Water District ("West Shelby District") has moved for leave to amend its motion for intervention and for an extension of time in which to serve requests for information upon the city of Shelbyville, Kentucky ("Shelbyville"). Shelbyville does not object to the motion for extension of time. Having considered the motions, the Commission HEREBY ORDERS that:

1. West Shelby District's Motion for Leave to Amend its Motion for Full Intervention is granted.
2. West Shelby District's Motion for Extension of Time is granted.
3. The procedural schedule set forth in Appendix A shall be followed.
4. All provisions of the Commission's Order of September 3, 1999 not in conflict with this Order remain in effect.

Done at Frankfort, Kentucky, this 8th day of October, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-265 DATED 10/8/99

All requests for information to Shelbyville shall be served
upon Shelbyville no later than..... 10/12/1999

Shelbyville shall file with the Commission and serve upon all parties
of record its responses to the requests for information no later than 10/22/1999

All supplemental requests for information shall be
served upon Shelbyville no later than..... 10/29/1999

Shelbyville shall file with the Commission and serve upon all parties
of record its responses to supplemental requests for information
no later than..... 11/08/1999

Intervenor testimony, if any, shall be filed with the Commission
and served upon all parties of record in verified prepared form
no later than..... 11/18/1999

All requests for information to
Intervenors shall be served no later than..... 11/29/1999

Intervenors shall file with the Commission and serve upon all parties
of record its responses to requests for information no later than 12/09/1999

Public Hearing is to begin at 9:30 a.m., Eastern
Time, in Hearing Room 1 of the Commission's
offices at 730 Schenkel Lane, Frankfort, Kentucky,
for the purpose of cross-examination of witnesses..... 12/21/1999

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COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

MOTION TO AMEND MOTION FOR FULL INTERVENTION

Comes West Shelby Water District, by counsel, and moves that the Commission grant it leave to amend its Motion for Full Intervention and Motion to Suspend Rate Increase by adding the following additional paragraph to the prayer for relief contained in that previous Motion:

7. That in the event the Public Service Commission disregards the contract and grants the Shelbyville Commission permission to charge a rate exceeding its "lowest rate", the Public Service Commission also eliminate the 7 million gallon per month minimum purchase

requirement from said contract and grant West Shelby the right to cancel said contract in its entirety upon one year prior notice to the Shelbyville Commission, both in order to allow West Shelby to entirely cease purchasing water from the Shelbyville Commission in the near future as soon as West Shelby is able to construct the minimal system upgrades that would be necessary to switch entirely to Louisville Water Company as its sole supplier.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather, Esq.
Attorney for West Shelby Water District
P.O. Box 1059, 500 Main St.
Shelbyville, KY 40066-1059
PHONE: (502) 633-5220
FAX: (502) 633-0667

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing was mailed this 1st day of October, 1999 to:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202


Donald T. Prather.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 06 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

**CITY OF SHELBYVILLE AND SHELBYVILLE'S
RESPONSE TO WEST SHELBY'S "MOTION
TO AMEND MOTION FOR FULL INTERVENTION"**

The City of Shelbyville and Shelbyville Municipal Water and Sewer Commission (hereinafter collectively referred to as "Shelbyville") respond to the Intervenor West Shelby Water District's ("West Shelby") Motion to Amend Motion for Full Intervention as follows:

West Shelby seeks to amend its previously filed Motion for Full Intervention by adding a demand that the Public Service Commission take certain action regarding the existing contract between Shelbyville and West Shelby. Essentially, West Shelby wants to add a prayer for relief that if Shelbyville is allowed a rate increase, then the Public Service Commission should invalidate West Shelby's contract with Shelbyville. This Motion is out of order for two reasons.

First, the Public Service Commission has already granted West Shelby's Motion for Full Intervention. West Shelby should not be permitted to amend a motion that has already been granted.

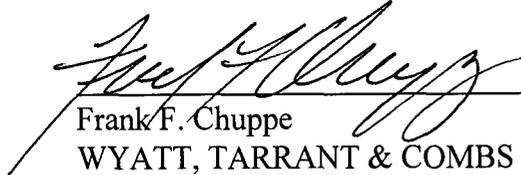
Second, a motion for intervention is not the proper procedure for West Shelby to invoke to seek to invalidate its contract with Shelbyville. If it is truly West Shelby's intent to ask the Public Service Commission to cancel (with one year's notice) the contract between Shelbyville and West Shelby, then it should follow the proper procedure and initiate a new proceeding with the Public Service Commission seeking that relief. West Shelby's attempt to graft this very significant

request onto Shelbyville's petition for a rate increase is unfair to Shelbyville and unfair to the Public Service Commission.

The Public Service Commission has already entered a scheduling order applicable to Shelbyville's request for rate relief. If West Shelby is permitted to add a demand that the Public Service Commission invalidate the contract to this rate case, the Public Service Commission will not have the time to adequately review and consider that request without altering the scheduling order and delaying the real purpose of this proceeding - consideration of Shelbyville's request for a rate increase.

Therefore, Shelbyville respectfully requests that the Public Service Commission deny West Shelby's Motion to Amend motion for Full Intervention, and advise West Shelby that if it wishes to pursue the relief sought in that Motion, that it initiate a separate proceeding.

Respectfully submitted,

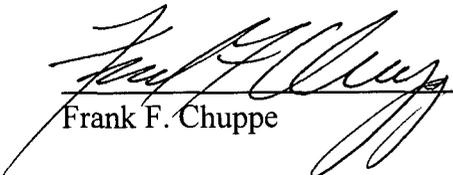


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 5th day of October 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 06 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

**CITY OF SHELBYVILLE AND SHELBYVILLE MUNICIPAL
WATER AND SEWER COMMISSION'S RESPONSE TO
INTERVENOR WEST SHELBY WATER DISTRICT'S
MOTION FOR EXTENSION OF TIME**

The Petitioner City of Shelbyville and Shelbyville Municipal Water and Sewer Commission state that they have no objection to the Motion for Extension of Time served by the Intervenor West Shelby Water District on October 1, 1999.

Respectfully submitted,

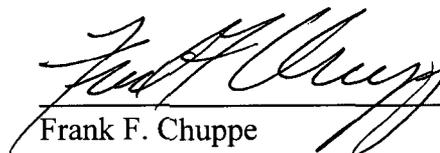


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 5th day of October 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe

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WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

TESTIMONY OF WILLIS D. JACKSON

1. What is your name and occupation?

Willis Jackson. My occupation may best be described as a financial consultant for municipal utilities.

2. Where are you employed?

Howard K. Bell Consulting Engineers, Inc., 354 Waller Avenue, Lexington,
Kentucky.

3. Please state a brief, general description of the overall business and activities of Howard K. Bell Consulting Engineers, Inc. ("Howard K. Bell").

Howard K. Bell is a multi-discipline engineering firm which specializes in assisting cities and counties in the development of improvements to their water and sewer facilities. Our work involves assisting the client in identifying system needs, selecting the best options, determining funding methods, developing project drawings, assisting with the bidding process and providing on site engineering. We also provide advisory assistance with current facility operations including analysis of financial operations and rate development.

4. Briefly describe your own duties and responsibilities at Howard K. Bell.

My primary area of work is to provide Howard K. Bell clients with financial analysis of their water and sewer system operations and to develop service rates which allow them to

adequately support operations. My duties also include general assistance with employee benefits and accounting.

5. What is your educational background?

I earned a BA Degree at Berea College, and earned an MBA at Eastern Kentucky University. My area of concentration at Berea was mathematics with a minor in economics. My area of concentration at ECU was economics and accounting.

6. How long have you worked in your current capacity at Howrd K. Bell Consulting Engineers? Do you have other related work experience?

I was hired in May 1975 specifically to assist project engineers with financial analysis of client operations. Prior to that time many of the company's engineers provided this assistance to clients themselves. Other related work experience includes approximately 10 years of bookkeeping and accounting for an 87 unit apartment complex, and approximately 12 years of service as a church treasurer.

7. Did you prepare the Water Utility Cost of Service Study dated July 1999 for the Shelbyville Municipal Water and Sewer Commission?

Yes

8. What was the purpose of the cost of service study?

To establish Shelbyville's cost of service to the West Shelby Water District and the North Shelby Water District.

9. Do you have any experience in determining the cost of service for water utilities in general or municipal water utilities in particular?

During my years of work at Howard K. Bell, I have had the opportunity to work on many cost of service studies for water and sewer systems. These studies have been exclusive to municipal systems. I have also participated in rate cases before the public service commission.

10. Define the term "cost of service" as you applied it to this study.

Cost of service generally refers to the calculation of all costs which are involved in providing service to system customers or customer classes. Costs include 1) operating costs such as chemicals or electricity, 2) depreciation expense, and depending on the methodology used, either 3) debt service, and transfers or 4) a return on rate base. The total of these costs are also referred to as "revenue requirements."

The cost of service for a specific customer or customer class involves identifying costs which apply to that customer or class and eliminating all other costs. This study was directed toward determining the cost of providing treated water for water districts served by the City of Shelbyville, KY.

11. What instructions, if any, were you given by Shelbyville as far as the preparation of the Cost of Service Study was concerned?

The Shelbyville Water and Sewer Commission requested that our firm conduct a study to determine the actual cost to provide service to the water districts that they served. The request stipulated that the study determine cost (revenue requirements) from a "cash basis" and "utility basis" as specified by the American Waterworks Association in its water rate manuals.

12. Did anyone at the Shelbyville Commission indicate to you what he (she) believed was the actual cost of service to West Shelby?

No.

13. What methodology did you use in preparing the Shelbyville cost of service study?

The methodology may be summarized as an allocation of costs to water districts based on use of facilities and operating costs.

14. What were the basic steps you followed?

Total costs or revenue requirements were determined using both the "cash basis and utility basis" and then allocated to the water districts and general customers. The cash basis in this instance uses depreciation expense in the place of a provision for renewal and replacement. Exhibit 5 shows test year revenue requirements, using the cash basis, and test year adjustments.

15. What are the major components of revenue requirement?

Cash basis: - 1) Operating costs, such as salaries, chemicals or electricity, 2) depreciation expense to provide for renewal and replacement, 3) debt service to offset long term debt obligations, and 4) transfers to the City to provide a return on investment and compensate for ownership risk.

Utility basis: - 1) Operating costs, 2) depreciation and 3) a return on rate base.

16. After determining overall revenue requirements, what was the next step in the Cost of Service Study?

The next step was to allocate those components to determine the cost of providing service at the customer level.

17. What method did you use to do that?

Revenue requirements were broken down by major system function or category and then applied to the wholesale customer and/or general customers according to use. The costs categories used in this report are Reservoir, Intake, Treatment Plant, Mains and Tanks and Distribution.

18. What types of costs are included as "distribution costs"?

Distribution costs include all water lines [not used to serve the water districts], as well as meters, hydrants and billing costs. These costs are assignable to general water customers and are costs are set forth in Exhibit 7 to the Cost of Service Study as "customer costs." They consist of the cost to maintain the distribution system, read meters, issue bills and collect revenues.

19. Does your Cost of Service Study include demand factors?

No. Preliminary indications, based on monthly water consumption data, show maximum monthly demands to be basically the same between West Shelby and North Shelby Water District, and the Shelbyville Municipal Water systems. It is possible that maximum hourly or daily demands are different between the Districts and the City; however, such information is not available.

20. What does Exhibit 7 of the Cost of Service Study show to be Shelbyville's cost to obtain, treat, transport and store water?

\$2.15 per 1,000 gallons.

21. How does that amount compare to the cost of service per 1,000 gallons to provide service to West Shelby?

From page 7 of the report "when water district contracted capacity is considered and treated as dedicated capacity, the cost of providing treated water to water districts changes to \$1.90 for the West Shelby Water District and \$1.71 for North Shelby Water District. This concept of dedicated capacity means each District has a right to call upon dedicated capacity as it has need but may not exceed that capacity without further contract negotiation. The current contract does not refer to dedicated capacity but in fact establishes such capacity for each district by providing for use of facilities up to a specific usage per month. This portion of the facilities is therefore not available to the general customer and is a de facto dedicated capacity.

22. How did the above described analysis differ when applying the "utility basis" method of determining revenue requirements and cost of service?

Using the utility basis, revenue requirements consist of Operation and Maintenance Costs, Depreciation Expense and a Return on Rate Base. Theoretically, revenue requirements produced by either basis should give approximately the same results.

23. Why is it reasonable for Shelbyville to compute revenue requirements using a "utility basis?"

The Public Service Commission, in its required submittal for rate cases, generally mandates a computation of revenue requirements consistent with the "utility basis." This is true for all cases that I am aware of where the utility is funded by private capital.

When a municipal utility sells water to customers outside of the municipality, as in the case of Shelbyville's sale of water to West Shelby, it is the equivalent of a private utility for the purpose of entitling it to a return on its rate base. Water districts are not like other municipal utility customers because they may contract with another supplier. The municipality which owns the production facilities is not only subject to risks of losing a water district's business, but is also at risk for natural catastrophes to its treatment or storage facilities, and is further at risk for liability for potential contamination of water to the point of service. Unless a municipal utility is entitled to a reasonable return on rate base, there would be absolutely no reason for it to sell water to customers outside of the City.

24. What rate of return did your Cost of Service Study arrive at and how was it reached?

The computed rate of return is 7.32%. Details of the computation are provided in Exhibit 9 of the report. The resulting rate of return is based on a weighted average of the interest on long term debt and an accepted return on equity. The return on equity comes from a rate previously

recognized by the Public Service Commission, Case No. 97-034 for the Kentucky American Water Company.

25. Have you reviewed West Shelby's unverified assertion in its Motion to Intervene that the "cost of service study shows as a deduction depreciation on contributed property, specifically the Guist Creek Lake Reservoir" (sic)?

Yes.

26. What is your response?

First, it is my understanding that the Guist Creek Lake Reservoir was constructed by Kentucky Fish and Wildlife Department in about 1959. Although Shelbyville uses this reservoir, there is no indication that it was placed on Shelbyville's books for purposes of depreciation of the initial reservoir construction. The detail of assets under the "Source-Supply Structure" in Shelbyville's books include several entries for water treatment plant improvements. These entries make up the bulk of depreciation expenses as shown for the Reservoir. In any event, the Supreme Court of Kentucky has recognized that the Public Service Commission is required to allow rate recovery for depreciation expense on contributed property. See *Dewitt Water District v. Public Service Commission*, Ky., 720 S.W.2d 725 (1986).

27. Do you agree with West Shelby's assertion that your Cost of Service Study has incorrectly "charged" West Shelby with 13% of certain fixed costs?

No. The report has appropriately allocated or identified costs according to system function and eliminated distribution costs from the wholesale cost of service. Distribution costs consist of costs of repairs to the distribution lines, debt service, meter reading, billing, and any other related costs. An appropriate share of office costs have been allocated to distribution costs and therefore not part of the wholesale cost of service. Exhibit 6 of the report shows the allocation of

costs to various system functions including the distribution system. Page 2 of 5 of Exhibit 6 shows the allocation of administrative costs and the basis for such allocation. Office expense (utilities, janitorial, cleaning supplies and maintenance was allocated according to Note 3 (Page 4 of 5 - derived from cashier and bookkeeper wages) and effectively allocates approximately 50% of these costs to the distribution system.

28. Could you respond to the assertion in West Shelby's Motion to Intervene that the Cost of Service Study "does not adequately consider the wholesale customers' overhead storage?"

The Shelbyville Water and Sewer Commission fulfills its obligation to wholesale customers in part by building adequate facilities to serve them. Without adequate storage capacity in the Shelbyville system it could not maintain a ready supply of water for wholesale customers. The water districts also need their own elevated storage facilities to maintain a reasonable pressure throughout their systems.

As pointed out in the "Amended water purchase agreement" dated October 13, 1987 between Shelbyville and West Shelby County Water District, "If a greater pressure than normally available at the point of delivery is required by the District, the cost of providing such pressure shall be borne by the District. For the industrial area ... and surrounding area, the District shall construct a 500,000 gallon tank to provide fire flow and pressures that are required by its customers in these areas."

Wholesale customers having storage facilities however does not change the costs as computed. It should be noted that no demand factors were included in the cost of service to wholesale costumers. Since the costs to Districts with predominantly residential customers, were not weighted for "residential peak demands", no reduction in costs should be forthcoming. Nothing asked for, nothing returned.

29. How do you respond to West Shelby's assertion in its Motion to Intervene that Shelbyville's present rate, and the proposed new rate, is requiring West Shelby "to pay for a large scale water treatment plan upgrade, an additional storage tank on the complete opposite end of the system from where West Shelby draws its water, and other system improvements, and because Shelbyville already has a system development charge, West Shelby is in effect being asked to pay twice for such improvements?"

West Shelby is not being double charged for system improvements. The rate to West Shelby was computed using only its proportionate share of operating costs (13.65%) and its contracted share of facilities (11.11%) i.e. return on rate base, and depreciation. If it were paying for additional capacity within the rate structure, its proportionate share of return on rate base and depreciation expense would be 13.65%, the same as its share of usage. Using the contracted limits (11.11% - Note 1 Exhibit 10), increased costs due to system improvements accrues to the Districts for treatment plan betterments, not an expansion of facilities.

Since the general customer is therefore carrying any reserve capacity above that which is contracted for by the Districts, a SDC equal to their vested interest is in order, should the Districts need additional capacity.

30. In paragraph 14 of its Motion to Intervene, West Shelby suggests that Shelbyville is seeking a return on investment for the portion of its system that is used to provide water to the city government of Shelbyville and this is unfair. How do you respond?

In fact, the rate for water usage by the city government of Shelbyville is offset when the Shelbyville Commission transfers funds to the City. So the Commission is not "getting any return on this investment."

31. Paragraph 15 of West Shelby's Motion to Intervene complains that your Cost of Service Study is using the concept of dedicated capacity to unfairly increase the rate to West Shelby. Do you agree?

This assertion reflects a lack of understanding of how dedicated capacity is being used in the Cost of Service Study. The concept of dedicated capacity does not increase the cost of service above that which would have been computed if the District had been assigned depreciation expense and return on rate base in proportion to their actual consumption. In fact, use of dedicated capacity (contracted capacity) actually reduced the final cost of service. Exhibit 10 of the "Utility Cost of Service Report" prepared by Howard K. Bell Consulting Engineers, shows that West Shelby County's usage is 13.65% of total water usage. Contracted capacity however, when compared to total system capacity, is only 11.11%. West Shelby's portion of O&M cost was computed based on 13.65% and return on rate base and depreciation expense were computed based on 11.11%.

32. Would you like to respond to any other of West Shelby's assertions in its Motion to Intervene?

Not at this time. The other assertions are either irrelevant, merely rhetorical, or outside the issues addressed by the Cost of Service Study.

33. Do you incorporate by reference and adopt as part of your testimony in this proceeding the Cost of Service Study that is Appendix 1?

Yes.

34. Is the Cost of Service Study and your testimony herein true and accurate to the best of your knowledge and belief?

Yes.

APPENDIX 1

WATER UTILITY COST OF SERVICE STUDY

SHELBYVILLE MUNICIPAL WATER

AND SEWER COMMISSION

SHELBYVILLE, KENTUCKY

JULY 1999



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WATER UTILITY COST OF SERVICE STUDY

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

SHELBYVILLE, KENTUCKY

JULY 1999

The Shelbyville Water and Sewer Commission has determined that there is a need to analyze its current and projected financial operations to determine the cost of providing service to its customers. Pursuant to that need, we have completed the following study regarding the cost of treatment and distribution of water. Since the adequacy and equity of wholesale customer rates is of primary concern, emphasis has been given to that particular area of the study. This study is both an update of a study conducted in 1998 and a more detailed extension of that study. The latest available financial data has been included in this study along with the latest known operating adjustments.

This report consists mainly of Exhibits 1 through 10 which are attached. A brief overview of these exhibits will be provided in the following text.

EXHIBIT 1 - STATEMENT OF REVENUES AND EXPENSES

Operating revenues and expenses for the water and sewer systems are provided in Exhibit 1 for the fiscal year ended 6/30/98. Information provided therein is strictly for the purpose of introducing test year data and allocating such between the water and sewer systems. It is not intended here to show the adequacy or inadequacy of current rates or revenues. Debt service (principal and interest) on outstanding loans and bonds are provided by this exhibit along with depreciation expense and transfers to the City. This is merely to introduce the test year numbers for these elements of cost. These numbers have been used in subsequent exhibits to compute a cost of service for water, based on both the "cash basis" and "utility basis."

Direct operating expenses shown in Exhibit 1 refer to costs which have been identified by Commission staff as pertaining to a particular expense account. Direct labor costs are identified and separated based on time sheet records produced by each field and plant employee. Other direct costs are identified from vendor invoices. Allocation procedures are therefore not needed to separate "direct" costs between water and sewer accounts.

General and administrative expenses require an allocation of costs between the water and sewer systems. On page two of Exhibit 1, each line item is allocated by using a specific basis which is referenced by a numbered note. These notes are found on page 3 of the exhibit and provide the percentages or amounts used in each allocation. For example, Office Salaries has been allocated

on the basis of number of customers in each system and is referenced by note 2.

EXHIBIT 2 - SCHEDULE OF DEBT SERVICE

The payment schedule for outstanding long term debt is presented in Exhibit 2, both before the refinancing issue of 1998 and afterward. Prior to refinancing, long term debt consisted of a Kentucky League of Cities (KLC) bond issue dated 1991 and a KLC loan dated 1996. The refinancing issue, 1998a, refinanced all of the 1996 loan and a portion of the 1991 KLC Bond issue. The prior issues and current outstanding issues incorporate a provision for coverage of maximum annual principal and interest of 1.20x for the issuance of parity debt. The payment schedules have been presented in fiscal year intervals. Semi-annual payments are due from the City on or about June 25 and December 25 of each year.

EXHIBIT 3 - ALLOCATION OF LONG TERM DEBT

Exhibit 3 provides an allocation of outstanding bond issues and associated debt service between the water and sewer systems. Debt service is also allocated between major components of the water and sewer systems. Since the 1991 bond issue was for the dual purpose of sewer plant improvements and refinancing of outstanding issues, it was necessary to examine the original purpose for each issue refinanced. Engineering reports, bond ordinances, etc. were used to determine the proper allocation based on outstanding balances at the point of refinancing (1991). Improvements to the sewer plant totaling \$2,600,000 were included in the 1991 bond issue.

The 1996 KLC loan was primarily for sewer plant work but did include about \$261,000 of miscellaneous water system improvements.

As indicated previously, the refinancing issue of 1998a, refinanced the 1996 KLC loan and partially refinanced the 1991 KLC bond issue. This activity and allocations are provided in Exhibit 3, page 2 of 2. Principal and interest for the first year (1999) of the refinancing issue is shown and allocated for each issue. The total amounts allocated to the water and sewer systems are highlighted in Exhibit 3 and are summarized in the following table.

PRINCIPAL AND INTEREST - YEAR 1999

Issue	Water	Sewer	Total
1998a	\$482,714	\$201,697	\$ 684,411
1991	\$136,734	\$191,403	\$ 328,137
Total	\$619,448	\$393,100	\$1,012,548

EXHIBIT 4 - LISTING OF RENEWAL AND REPLACEMENT ITEMS

The Shelbyville Municipal Water and Sewer Commission, in an attempt to keep the water system well maintained, incorporates a systematic renewal and replacement of various system components. These renewal and replacements, are placed on the books as capitalized items but are paid for with cash operating funds. The Commission supports these renewal and replacements through the mechanism of recognizing depreciation expense as a real cost to the system and including this category of expense in total revenue requirements. This expense is thereby incorporated in rates to all water customers. A detailed listing of depreciation expense for the test year is provided by Exhibit 4. Each expense item has been further allocated to system components and in some instances a portion of the identified cost has been allocated to the sewer system. It should be noted however that this exhibit does not attempt to show all expenditures for the sewer system and no comparison of costs between the water and sewer systems is possible from this information.

Total depreciation expense identified for the water system for the fiscal year ended 6/30/98 was \$292,337.

The City of Shelbyville also uses a system development charge (SDC) for the long term operation of its water and sewer systems. This Shelbyville SDC was developed from AWWA methodology using the "Buy in Method." This method calculates accumulated equity in the system and allows new customers to buy into the system by replacing a proportionate share of that equity. New customers thereby enter the system with an investment or equity on par with current customers. System development charges, when accumulated in a construction reserve fund, provide some rate protection for the current customer when an expansion of facilities is needed.

A provision for depreciation expense which generates funds for renewal and replacement (R&R), is separate and different from system development charges (SDC). Depreciation/R&R replaces existing components (maintains existing capacity) whereas SDC provides funds only for expansion (replaces capacity).

EXHIBIT 5 - TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS

Prior to determining a cost of service for the production, transportation, storage and distribution of water, it is necessary to identify all cost components and present them in an accepted format. Exhibit 5 shows these items of cost for the test year using a "cash basis" and adds adjustments for changes in operations that are known at this time. This summarization of costs is generally referred to as "revenue requirements" and is typically used to assess the adequacy of current rates. In the instance of this report, Exhibit 5 serves to show all test year costs/ revenue requirements and make adjustments to compose a pro forma statement of revenue requirements. Subsequent exhibits will use pro forma numbers to compute a cost of service.

The "cash basis" method of presenting revenue requirements refers to the identification of cash outlays for operation of the system. Typically it would include O&M costs, Debt Service, Renewal and Replacement and Transfers. This method is presented by the American Water Works Association in its M1 Manual on Water Rates and is often found in various forms in municipal bond ordinances which authorize the issuance of revenue bonds. This report differs from the cash basis only in its use of depreciation as a proxy for renewal and replacement. The "utility basis," which will be discussed later, consists of O&M costs, Depreciation Expense and a Return on Rate Base.

O&M costs, debt service, and depreciation expense have been discussed previously but "transfers" of funds to the Shelbyville City Government are also cash outlays which should be covered by water revenues. It is Shelbyville's current policy to require the Utility Commission to remit an amount specified by City government. During the test year, transfers (\$123,225) were 4.96% of gross sales and no adjustments of this cost were incorporated in the pro forma statement. Current City policy indicates that transfers will not exceed seven (7) percent of gross water and sewer sales depending on the performance of current utility operations. There is justification of such transfers from the standpoint that the City owns the utilities and deserves a return on assets. This argument is easily supported for customers outside the City including water/sanitation districts. Fund transfers from municipal utilities to city governments, is a common practice in the State of Kentucky.

Adjustments to operating costs as provided in Exhibit 5 are primarily of an inflationary nature. Comments regarding adjustments found in Exhibit 5 follow.

- A. Salary adjustments make up the largest adjustment component followed by employee benefits and insurance. From page 3 of Exhibit 5, it may be seen that salaries are adjusted on January 1 of 1998 and 1999. The test year incorporated the increase in salaries on January 1, 1998. A general salary increase also occurred in January 1999, outside the test year. In an effort not to overstate salaries, this report has used a one-time adjustment based on the two year average wage and salary increase (1998 & 1999) to adjust test year numbers. Labor accounts were adjusted by using the two-year average percentage.
- B. Workman's compensation insurance is renewable at the end of the fiscal year. Actual costs are therefore available for fiscal 1998/99. The net adjustment from the test year is \$583 for the water portion.
- C. Property and liability insurance premium for fiscal year 1998/99 resulted in an increase of \$690 annually for the water system portion.
- D. Annual costs for dental and health insurance (Exhibit 5, Note D.) was adjusted according to changes in monthly premiums and applied to the average number of employees per month. The result, after subtracting the test year premium, was further reduced to the

portion that the Commission pays for the employee (2/3) and again reduced to the water portion of the premium. The final adjustment for health and dental insurance premiums was \$4,438 annually.

- E. In 1998 the Shelbyville Water and Sewer Commission refinanced its outstanding 1996 KLC loan and a portion of its 1991 KLC bonds. The refinancing issue, 1998a, was a KLC bond issue which also included an additional \$4,929,915 of new money for water system improvements. This added \$329,051, to overall debt service for the water system including coverage of 20%.
- F. Funding of water system improvements during calendar year 1998 totaled \$4,929,915 and were a part of the 1998a KLC refinancing bond issue. These improvements consist of a water plant expansion, 14" water main and a one million gallon elevated storage tank. Construction is now under way and all improvements will be utilized in serving all classes of water customers in the Shelbyville system, including water districts. A 30 year amortization of these facilities gives an annual depreciation expense of \$164,330.

A detailed presentation of revenue requirements is provided in Exhibit 5 and is summarized in the following table.

REVENUE REQUIREMENTS

	Test Year	Adjustment	Pro Forma
Operating Costs	\$881,379	\$32,216	\$913,595
Debt Service w/ 20%	\$414,287	\$328,968	\$743,255
Funds Transf. to City	\$73,713	\$0	\$73,713
Depreciation Expense	<u>\$292,337</u>	<u>(\$164,330)</u>	<u>\$456,667</u>
Total Rev. Requirements	\$1,661,716	\$525,434	\$2,187,150

Miscellaneous non operating income totaled \$44,617 for the test year and consisted mostly of interest income on reserve funds (\$42,791). Since this interest income accrued to reserve funds and was unavailable for operations, it was not included as an offset to revenue requirements.

EXHIBIT 6 - BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS

With pro forma revenue requirements determined and shown by Exhibit 5, the next task was to break down those requirements (costs) to determine the cost of providing service at the customer level. The methodology chosen by this report was to breakdown revenue requirements by major system component and determine its applicability to cost computations for the wholesale customer and customers in general. The categories of costs are Reservoir, Intake, Treatment Plant, Mains and Tanks, and Distribution. Administrative and general costs are distributed among these categories.

Since the focus of this report is the cost to provide treated water to the Water Districts, the cost category "Mains and Tanks" includes only those facilities which contribute to serving all customers, including the water districts. More specifically, all water tanks have been included under Mains and Tanks, but some distribution mains which do not contribute to serving the water districts have been excluded.

Distribution costs include all other water lines plus, meters, hydrants and billing costs. These costs are assignable to general water customers. These costs are presented in Exhibit 7 as "customer costs" and consist of the cost to maintain the distribution system, read meters, issue bills and collect revenues. It may be argued that Water Districts should participate in customer costs based on the number of meter locations.

Demand factors have not been incorporated in this report. Preliminary indications, based on monthly water consumption data, showed maximum monthly demands to be nearly identical between the Water Districts and the Shelbyville Municipal Water System. It is possible that maximum hourly or daily demands are different between the Districts and the City, however such information is not available.

This report takes the position that water tanks and water mains as defined above are integrated to maintain pressure and storage throughout the system and therefore cannot be broken down as to a particular water main or tank that serves a particular water district. This category of costs is assigned to the districts on the basis of each district's usage and contracted capacity - Exhibits 7 and 10. Assigning a particular storage tank to a particular district would seem to be of little value anyway since each district's use of water from a particular tank is proportionately greater than its use from all tanks, i.e. the resulting costs should be close to the same.

Exhibit 6 provides a breakdown of pro forma costs into major system components and is summarized in the following table.

	Pro Forma	Reservoir	Intake	Plant	Mains/ Tanks	Distrib. System
Operations	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
Debt Serv.	\$743,255	\$8,106	\$1,805	\$529,318	\$156,338	\$47,688
Deprec.	\$456,667	\$51,602	\$155	\$227,085	\$102,990	\$74,835
Transf.	\$73,713	\$0	\$0	\$47,854	\$7,099	\$18,760
Total	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785

EXHIBIT 7 - COST OF SERVICE - CASH BASIS WITH DEDICATED CAPACITY

The cost to obtain, treat, transport and store water is determined in Exhibit 7 to be \$2.15 per 1,000 gallons. This cost is based on pro forma data and test year metered water consumption and pertains to all customers. The average customer cost per month is \$5.59.

When water district contracted capacity is considered and treated as dedicated capacity the cost of providing treated water to water districts changes to \$1.90 for the West Shelby Water District and \$1.71 for North Shelby Water District. This concept of dedicated capacity means each District has a right to call upon dedicated capacity as it has need but may not exceed that capacity without further contract negotiation. The current contract does not refer to dedicated capacity but in fact establishes such capacity for each district by providing for use of facilities up to a specific usage per day. This portion of the facilities is therefore not available to the general customer and is a de facto dedicated capacity. It appears only fair that each district should be required to support only the capacity to which it has a claim. To the extent that the district is not fully using its contracted capacity, it is supporting reserve capacity. The general customer is supporting all other capacity which is used and in reserve. Should either water district require additional capacity, new contract negotiations would be required and a system development charge would likely be levied to compensate the general customer for reserve capacity with it has supported through current and past rates.

From Exhibit 7, West Shelby Water District uses approximated 13.65% of total water consumption. This percentage when applied to total O&M costs gives \$92,958 which is applicable to water used by the West Shelby Water District. Based on dedicated capacity, only 11.11% of total debt service (\$77,286), depreciation expense (\$42,426) and transfers (\$6,106), is

applicable to the cost of water used. The combined total cost is \$218,776 and gives a cost per 1,000 gallons of \$1.90. It should be noted that the percent of usage is applied only to operating costs. Transfers, debt service and depreciation appear to be more related to assets used to serve water districts and therefore are applied to the percent of dedicated capacity.

The corresponding percentage for North Shelby County Water District is 12.96% for operating costs (based on consumption) and 8.68% for debt service, transfers and depreciation expense (based on dedicated capacity). This gives a cost per 1,000 gallons of \$1.71.

EXHIBIT 8 - RATE BASE AND RETURN ON RATE BASE

Prior exhibits in this report have been oriented toward development of a cost of service by using a "cash basis" methodology. The AWWA also proscribes a "utility basis" of determining revenue requirements and cost of service. Using this basis, revenue requirements consist of O&M costs, Depreciation Expense, and Return on a Rate Base. This basis is usually employed when assessing the revenue needs of a private utility which requires a profit. Generally it is assumed that a private utility deserves a profit for the use of its capital and for the risk that is placed on it. From this standpoint, it appears that a municipality has such a claim for sales to a water district. Water districts are not like other municipal utility customers in that they hold themselves apart through a special contract relationship. Districts are not within the boundary of the municipal service area and may choose to use another supplier, if one is available. If a water district terminates or substantially reduces its water purchases, fixed costs would then fall to the general customer for support. This would likely mean a rate increase for the municipal customer.

Also, districts are not at risk for natural catastrophes to the treatment or storage facilities and not liable for potential contamination of water to the point of service. It therefore appears that a municipal system which supplies water to a water district should also consider rate development from the utility basis. The municipality is the owner of production facilities and holds most of the risk.

To provide a comparison of cost of service developed from a utility basis, Exhibits 8, 9 and 10 are included in this report. Exhibit 8 develops a rate base consisting of water system asset accounts as of 6/30/98, plus improvements in progress, and a provision for working capital. Work in progress is based on new-money funding included in the 1998a bond issue for the purpose of water system improvements. Working capital is stated at six weeks equivalent of out-of-pocket operating expenses. The rate base is allocated among major system components similar to prior exhibits, in an effort to segregate costs related to the water districts.

Using a rate of return of 7.32%, as computed in Exhibit 9, the rate base generates a revenue requirement of \$888,813. With an allocation for the distribution system excluded, this leaves \$727,739 which is allocable to all customers including water districts.

EXHIBIT 9 - RATE OF RETURN

Based on information found in an Order by the PSC (Case No. 97-034) for the Kentucky American Water Company, we have computed a rate of return of 7.32% which may be applied to the Shelbyville Rate Base. The Order for KAWC breaks down the rate of return into rates applied to a) long term debt, b) preferred stock, c) short term debt, and d) equity. These rates are then summarized into an overall cost of capital which is applied to the rate base. For Shelbyville, this report breaks down the rate of return into a) a return on long term debt, and b) a return on equity. The return on long term debt in this report is equal to the average interest rate for the pro forma period (1999 = 5.34%). The return on equity uses the rate provided in the PSC Order for KAWC (11%). As shown by Exhibit 9, the combination of these rates yields a weighted rate of return of 7.32%.

EXHIBIT 10 - COST OF SERVICE - UTILITY BASIS WITH DEDICATED CAPACITY

From prior exhibits, and using the utility basis, revenue requirements for the Shelbyville Municipal Water System are computed to total \$2,258,995 as shown by Exhibit 10. These requirements when broken down and allocated to the various system categories, give an average cost of treatment, transportation and storage of \$2.12 per 1,000 gallons. The average customer cost is \$7.01 per customer per month.

When dedicated capacity for water districts is considered, as in Exhibit 7, cost of service is reduced to \$1.88 for West Shelby County Water District and \$1.69 for North Shelby County Water District. Contracted or dedicated capacity is applied as a percentage to both the Return on Rate Base and Depreciation Expense.

SUMMARY

From this detailed analysis of system costs, it appears that the cost of providing service to the average customer, using the cash basis, is \$2.15 per 1,000 gallons plus \$5.59 per month for customer costs. The cost of treatment, transportation and storage (i.e. costs from the lake to the tanks) are common to all water usage and thereby to all customers including the water districts. Costs which pertain to the distribution system are more dependant upon the number of customers or meters and thereby have little impact on the cost of service for water districts.

Demand factors have not been included in this report since the focus has been toward developing a cost of service for water districts. There appears to be no obvious difference in maximum demand between the water districts and the Shelbyville Water System as a whole.

When contracted capacity by the water districts is viewed as dedicated capacity, their cost of service is reduced to \$1.90 for West Shelby County Water District and \$1.71 for North Shelby County Water District. This concept defuses the possible contention that water districts may have to pay for an expansion of treatment facilities which would not benefit them. Dedicated capacity is also consistent with and justifies Shelbyville's System Development Charge which would likely be assessed if a water district requires additional capacity.

Cost of service for the average customer, when computed from a utility basis, is \$2.12 per 1,000 gallons plus \$7.01 per month. When applied to the water districts and using a contracted or dedicated capacity, their cost of service is \$1.88 for West Shelby County and \$1.69 for North Shelby County. This procedure produced a very similar cost to that determined from the cash basis and thereby lends credibility to cost of service levels shown in this report. There is also merit in the utility basis from the standpoint that it recognizes the value of risk which is born almost entirely by the municipal system. It also underscores the right of a city to require a reasonable transfer of funds (cash basis) from the municipal water system to the city government accounts in recognition of its equity in the system and risks that are assumed.

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
REVENUES:				
General Customer Sales	\$1,856,630	\$1,110,653	\$745,977	Direct
Water District /Sanitation District	506,390	262,987	243,403	Direct
Sewer - Pretreatment Program	27,938		27,938	Direct
Fire Protection	46,600	46,600		Direct
Other Sales	<u>47,553</u>	<u>33,773</u>	<u>13,780</u>	Direct
Total	\$2,485,111	\$1,454,013	\$1,031,098	
 DIRECT OPERATING EXPENSES:				
	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	
Gen. Superv. & Engineering	\$15,032	\$9,534	\$5,498	Direct
Labor - Supply & Pumping	168,440	113,532	54,908	Direct
Laboratory Expense	33,048	24,774	8,274	Direct
Supplies - Plant	121,244	100,311	20,933	Direct
Labor - Structure	10,080	3,055	7,025	Direct
Maint Materials - Structures	5,773	3,715	2,058	Direct
Labor - Plant Equipment	8,158	2,317	5,841	Direct
Maint Materials - Plant Equipment	73,353	56,629	16,724	Direct
Power - Plant	121,383	75,506	45,877	Direct
Labor - Joint Pump Station	8,919		8,919	Direct
Power - Joint Pump Stations	14,440		14,440	Direct
Maint. Materials - Joint Pump Sta	24,343		24,343	Direct
Labor - Mains	30,436	23,604	6,832	Direct
Maint. Materials - Mains	12,451	2,648	9,803	Direct
Labor - Services and Meters	29,409	29,409		Direct
Maint. Materials - Serv. and Meters	4,628	4,628		Direct
Labor - Hydrants	5,319	5,319		Direct
Maint. Materials - Hydrants	1,795	1,795		Direct
Labor - Sewer Manholes	600		600	Direct
Maint. Materials - Sewer Manholes	13		13	Direct
Meter Reading	35,496	35,496		Direct
Holiday, Vac. Sick Leave	49,064	23,944	25,120	Direct
Landfill - Sludge Removal	31,424	3,560	27,864	Direct
Labor - Sludge Disposal	8,896		8,896	Direct
Labor - Flow Monitor	913		913	Direct
Materials - Flow Monitor	1,432		1,432	Direct
Pretreatment - Outside Lab Exp.	7,711		7,711	Direct
Chronic Tox. Test	13,260		13,260	Direct
Pretreat - Sample Labor	1,481		1,481	Direct
Labor - Common Pump Sta	7,261		7,261	Direct
Maint. Materials - Common Pump St	<u>2,847</u>		<u>2,847</u>	Direct
	\$848,649	\$519,776	\$328,873	Page 1 of 3

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
ADMINISTRATIVE AND GENERAL EXPENSES:				
Holiday, Vac. Sick Leave	\$4,985	3,234	1,751	1
Office Salaries	52,173	35,514	16,659	2
Office Supplies and Expense	28,952	19,708	9,244	2
Uncollectible Revenue	3,382	2,023	1,359	3
Management Salary	99,725	64,698	35,027	1
Legal and Accounting	24,232	15,721	8,511	1
Commission Memeber Fees	3,322	2,155	1,167	1
Insurance	58,916	27,396	31,520	5
Employee Insurance	66,481	43,131	23,350	1
Employee Retirement	84,097	54,559	29,538	1
Misc. General Expense	45,987	22,993	22,994	4
Labor - Safety Training	1,296	841	455	1
Maint - General Properties	26,450	13,225	13,225	4
Maint - Safety Equipment	3,672	1,836	1,836	4
Truck & Equipment	31,263	20,282	10,981	1
Distribution Shop Supplies	785	509	276	1
Cash Short/ Over	28	17	11	3
Management Training Expense	1,844	1,196	648	1
Office Utilities	3,010	1,505	1,505	4
Office Janitorial	4,800	2,400	2,400	4
Office Cleaning Supplies	40	20	20	4
Office Maintenance	1,943	971	972	4
Taxes	<u>46,253</u>	<u>27,669</u>	<u>18,584</u>	3
	<u>593,636</u>	<u>361,603</u>	<u>232,033</u>	
Total Oper. Expenses	\$1,442,285	\$881,379	\$560,906	

OTHER REVENUES & EXPENSES:

Misc. Income	\$6,568	\$3,929	\$2,639	3
Handling Late Fees	7,951	4,756	3,195	3
Interest Earned	109,721	42,791	66,930	6c
Debt Admin. Fees	(10,069)	(3,927)	(6,142)	6c
Interest - Cust. Deposits	<u>(4,307)</u>	<u>(2,932)</u>	<u>(1,375)</u>	2
Total Other Rev./Exp.	109,864	44,617	65,247	

DEBT SERVICE: - FISCAL YEAR 1998:

1991 KLC Bonds (Prin & Int.)	\$720,352	\$300,171	\$420,181	6a
1996 KLC Loan (Prin. & Int.)	<u>172,146</u>	<u>\$45,068</u>	<u>\$127,078</u>	6b
Total Prin. & Interest	\$892,498	\$345,239	\$547,259	

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
DEPRECIATION EXPENSE	\$550,622	\$292,337	\$258,285	Exh-4
TRANSFERS TO CITY	123,225	73,713	49,512	3

The purpose of this exhibit is to present a separation of revenues and expenses between the water and sewer systems. This exhibit along with Exhibits 2, 3, and 4 form the basis for test year and pro-forma revenue requirements for the water system as shown in Exhibit 5. Allocation basis refers to the method of allocation and percentages as provided in the following notes. "Direct" indicates that expenses were booked to a particular account and no further allocation of such costs are needed.

NOTES REGARDING BASES FOR ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES:

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	
1. Direct Labor	\$379,504	\$246,210	\$133,294	
Percentage		64.88%	35.12%	
2. Number of Customers	8,358	5,689	2,669	
Percentage		68.07%	31.93%	
3. Sales - General Customers	1,856,630	1,110,653	745,977	
Percentage		59.82%	40.18%	
4. Even Split	100.00%	50.00%	50.00%	
5. Insurance:				
a. Workman's Comp.: (7/97-7/98)	\$14,935	\$9,689	\$5,246	1
b. Property Insurance:				
Plant/Tanks/etc.	\$10,328,507	\$3,890,538	\$6,437,969	Direct
Distribution Facilities	335,012	228,043	106,969	2
Office & Admin Bldg	395,424	269,165	126,259	2
Equipment	<u>233,774</u>	<u>159,130</u>	<u>74,644</u>	2
Insured Value	\$11,292,717	\$4,546,876	\$6,745,841	
		40.26%	59.74%	
Premium	<u>\$43,981</u>	<u>\$17,707</u>	<u>\$26,274</u>	
c. Total Ins. Premiums	\$58,916	\$27,396	\$31,520	
6. Debt Service Allocation - Based on Exhibit 3, Before Refinancing		<u>Water</u>	<u>Sewer</u>	
a. 1991 KLC Bonds		41.67%	58.33%	
b. 1996 KLC Loan		26.18%	73.82%	
c. Combined - Before Refinancing		39.00%	61.00%	

EXHIBIT 2
SCHEDULE OF DEBT SERVICE
BEFORE AND AFTER REFINANCING OF 1998
SHELBYVILLE WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

Fiscal Year	<u>BEFORE REFINANCING OF 1998</u>			<u>AFTER REFINANCING OF 1998</u>		
	<u>KLC 1991</u>	<u>KLC 1996</u>	<u>Total</u>	<u>Series 1998a</u>	<u>Unrefunded 1991</u>	<u>Total P&I</u>
1998	\$720,352	\$172,146	\$892,498			
1999	723,102	172,212	895,314	\$684,411	\$328,137	\$1,012,548
2000	724,383	172,126	896,509	683,217	329,655	1,012,872
2001	724,152	172,069	896,221	683,993	330,433	1,014,426
2002	727,372	172,124	899,496	684,123	330,450	1,014,573
2003	723,695	172,165	895,860	683,710	329,688	1,013,398
2004	728,382		728,382	682,745	328,125	1,010,870
2005	730,760		730,760	681,085	330,742	1,011,827
2006	730,768		730,768	683,710	332,198	1,015,908
2007	733,345		733,345	680,515	332,460	1,012,975
2008	732,835		732,835	681,715	331,380	1,013,095
2009	734,980		734,980	682,067	334,295	1,016,362
2010	734,445		734,445	681,558	335,870	1,017,428
2011	736,230		736,230	684,998	336,105	1,021,103
2012				1,016,748	0	1,016,748
2013				1,020,997		1,020,997
2014				1,022,115		1,022,115
2015				1,021,172		1,021,172
2016				1,023,170		1,023,170
2017				1,022,850		1,022,850
2018				1,025,212		1,025,212
2019				0		0
	<u>\$9,484,449</u>	<u>\$860,696</u>	<u>\$10,345,145</u>	<u>\$16,030,111</u>	<u>\$4,309,538</u>	<u>\$20,339,649</u>

Note: Issue of 1998a refinanced KLC loan of 1996 and a portion of KLC bond issue of 1991.

EXHIBIT 3
ALLOCATION OF LONG TERM DEBT
WATER AND SEWER UTILITY SYSTEMS
SHELBYVILLE, KENTUCKY

1. Allocation of Refinancing Revenue Bonds - 1991: (Partially Refinanced in 1998a)
 (Outstanding Principal Balance - 1991)

Refinanced Issue	--- Water ---						--- Sewer ---			
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water	Plant	Collection Lines	Total Sewer
1955	19,400	19,400	19,400	19,400	19,400		97,000			0
1959				18,000			18,000			0
1962	68,664		140,598	87,738			297,000			0
1964					120,000		240,000	135,000		135,000
1966			300,494	307,708			608,202		36,798	36,798
1969					200,000		200,000		195,000	195,000
1974							200,000	1,625,000		1,625,000
1978			1,820,000				1,820,000	2,600,000		2,600,000
1983/87			2,280,492	552,846	339,400		3,280,202	4,360,000	231,798	4,591,798
1986	88,064	19,400					107,464			
1991				7.02%	4.31%			55.39%	2.94%	
Percent	1.12%	0.25%	28.97%							
Total							41.67%			58.33%

Notes

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2. Allocation of KLC Loan 1996: - Initial Principal Balance 1996: (Refinanced in 1998)

Year	--- Water ---						--- Sewer ---			
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water	Plant	Collection Lines	Total Sewer
1996			18,820				18,820	683,176		683,176
Projects					243,004		243,004		55,000	55,000
Misc			18,820		243,004	0	261,824	683,176	55,000	738,176
Total	0	0	1.88%	0.00%	24.30%	0.00%	26.18%	68.32%	5.50%	73.82%
Percent	0.00%	0.00%								

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**EXHIBIT 3
ALLOCATION OF LONG TERM DEBT
WATER AND SEWER UTILITY SYSTEMS
SHELBYVILLE, KENTUCKY**

3. Allocation of KLC Bonds 1998a - KLC Loan: (Current Bonds Outstanding)
 - Refunded 1996 KLC Loan (Principal Balance - 1998)
 - Partially Defeased 1991 Revenue Bonds (Principal Balance 1998)
 - New money improvements 1998

Issue	--- Water ---							Total Water
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water	
1991	42,749	9,542	1,105,743	267,943	164,506	0	1,590,483	
1996	0	0	14,913	0	192,755	0	207,668	
Subtotal	42,749	9,542	1,120,656	267,943	357,261	0	1,798,151	
%							39.00%	
New Money			3,702,726	1,227,189			4,929,915	
Totals	42,749	9,542	4,823,382	1,495,132	357,261	0	6,728,066	
Percent	0.45%	0.10%	50.56%	15.67%	3.74%	0	70.52%	
Prin. & Int.	\$3,080	\$684	\$346,037	\$107,247	\$25,597		\$482,645	

4. Balance of 1991 Loan Outstanding - Unrefunded Portion (Current Bonds Outstanding)

Issue	--- Water ---							Total Water
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water	
1991	31,789	7,096	822,247	199,247	122,329		1,182,708	
Percent	1.12%	0.25%	28.97%	7.02%	4.31%		41.67%	
Prin. & Int.	\$3,675	\$820	\$95,061	\$23,035	\$14,143		\$136,734	

Notes:

- Original purchase of facilities from Kentucky Utilities.
- Allocated according to the original value of facilities constructed, based on engineering reports and bond documents
- Defeased portion of 1991 revenue bonds allocated based on percentage from item 1.
- The outstanding portion of 1996 KLC loan was refunded in total.
- New money was included in the 1998 refinancing issue for water system improvements
- A portion of the 1991 revenue bonds remain outstanding.

Notes	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
3	2,114,156	112,216	2,226,372	3,816,855
4	541,935	43,628	585,563	793,230
	2,656,091	155,844	2,811,935	4,610,085
			61.00%	
5	2,656,091	155,844	2,811,935	4,929,915
	27.84%	1.63%	29.47%	29.48%
	\$190,541	\$11,156	201,697	684,342

Notes	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
6	1,572,118	83,445	1,655,563	2,838,270
	55.39%	2.94%	58.33%	100.00%
	\$181,756	\$9,647	\$191,403	\$328,137

EXHIBIT 4

TEST YEAR DEPRECIATION EXPENSE
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

Asset	Fiscal Year 6/30/98	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	System	General Facilities	Total Water	Sewer	Allocation Basis
Source of supply struct.	\$45,814	45,814						\$45,814	\$0	1
Pumping structures	3,884			3,884				3,884	0	1
Standpipes	17,760				17,760			17,760	0	1
Dam and line	554	415	139					554	0	1
Office Building	10,003						6,809	6,809	3,194	2
Shop building	3,238					2,204	327	2,204	1,034	2
Miscellaneous structures	481							327	154	2
Electric pumping equip	37,079			37,079				37,079	0	1
Purification equip.	51,905			51,905				51,905	0	1
Water distrib. mains	73,192				37,860	35,332		73,192	0	1,3
Services and meters	16,476					16,476		16,476	0	1
Hydrants	3,301					3,301		3,301	0	1
Safety Equipment	1,316						896	896	420	2
Offic fixtures & equip.	9,719						6,616	3,103	3,103	2
Transportation Equip	23,196						15,790	7,406	7,406	2
Shop equip.	14,294					9,730		9,730	4,564	2
Total	\$312,212	\$46,229	\$139	\$92,868	\$55,620	\$67,043	\$30,438	\$292,337	\$19,875	
Reallocation of General		\$5,373	\$16	\$10,793	\$6,464	\$7,792	(\$30,438)	\$0	\$0	
		17.65%	0.05%	35.46%	21.24%	25.60%				
Total		\$51,602	\$155	\$103,661	\$62,084	\$74,835		\$292,337		

1. Direct - Identified as water related facility
2. Allocated to water or sewer based on number of customers
3. Allocated between mains/tanks and distribution system based on identification of Assets - Acct No. 123.

EXHIBIT 5

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

	Test Year <u>6/30/98</u>	Adjustment	Pro-Forma <u>Total</u>	Notes
OPERATING EXPENSES - WATER:				
Gen. Superv. & Engineering	\$9,534	\$706	\$10,240	A2a.
Supply and Pumping Labor	113,532	8,413	121,945	A2a.
Laboratory Expense	24,774		24,774	
Supplies - Water Plant	100,311		100,311	
Labor - Water Structure	3,055	226	3,281	A2a.
Maint Materials - Water Structures	3,715		3,715	
Labor - Equipment	2,317	172	2,489	A2a.
Maint Materials - Equipment	56,629		56,629	
Power - Water Plant	75,506		75,506	
Labor - Distribution Mains	23,604	1,152	24,756	A2b.
Maint. Materials - Dist. Mains	2,648		2,648	
Labor - Services and Meters	29,409	1,435	30,844	A2b.
Maint. Materials - Serv. and Meters	4,628		4,628	
Labor - Hydrants	5,319	260	5,579	A2b.
Maint. Materials - Hydrants	1,795		1,795	
Meter Reading	35,496	1,732	37,228	A2b.
Holiday, Vac. Sick Leave	23,944	1,434	25,378	A2c.
Landfill - Sludge Removal	<u>3,560</u>		<u>3,560</u>	
Total	\$519,776	<u>15,530</u>	\$535,306	
 ADMINISTRATIVE AND GENERAL:				
Holiday, Vac. Sick Leave	\$3,234	\$234	3,468	A2d.
Office Salaries	35,514	2,571	38,085	A2d.
Office Supplies and Expense	19,708		19,708	
Uncollectible Revenue	2,023		2,023	
Management Salary	64,698	4,684	69,382	A2d.
Legal and Accounting	15,721		15,721	
Commission Memeber Fees	2,155		2,155	
Insurance	27,396	1,273	28,669	B+C
Employee Insurance	43,131	4,358	47,489	D
Employee Retirement	54,559	3,486	58,045	A2e.
Misc. General Expense	22,993		22,993	
Labor - Safety Training	841		841	
Maint - Genreal Properties	13,225		13,225	
Maint - Safety Equipment	1,836		1,836	
Truck & Equipment	20,282		20,282	

EXHIBIT 5

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

	Test Year <u>6/30/98</u>	<u>Adjustment</u>	Pro-Forma <u>Total</u>	<u>Notes</u>
Distribution Shop Supplies	509		509	
Cash Short/ Over	17		17	
Management Training Expense	1,196		1,196	
Office Utilities	1,505		1,505	
Office Janitorial	2,400		2,400	
Office Cleaning Supplies	20		20	
Office Maintenance	971		971	
Taxes	<u>27,669</u>		<u>27,669</u>	
Total Admin.	\$361,603		\$378,209	
Total Operating Costs	\$881,379	\$32,136	\$913,515	
DEBT SERVICE - WATER:				
1991 Revenue Bonds (partially refunded - 1998)	\$300,171	(\$163,437)	\$136,734	E
1996 KLC Bonds (fully refinanced/refunded 1998)	45,068	(45,068)	0	E
1998a KLC Refunding Bonds		<u>482,645</u>	<u>482,645</u>	E
Total	345,239	274,140	619,379	
Coverage @ 20%	<u>69,048</u>	<u>54,828</u>	<u>123,876</u>	
Total Debt Service and Coverage	<u>\$414,287</u>	<u>\$328,968</u>	<u>\$743,255</u>	
DEPRECIATION EXPENSE	\$292,337	\$164,330	\$456,667	F
TRANSFERS TO CITY	\$73,713	0	\$73,713	
TOTAL REVENUE REQUIREMENTS	\$1,661,716	\$525,434	\$2,187,150	

EXHIBIT 5 - Continued

**TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY**

NOTES FOR TEST YEAR ADJUSTMENTS:

A. Adjustments to Payroll

(Salary and wage adjustments are effective for a Calendar Year)

1. Result of Adjustment 1/01/98:	Actual	Actual		
(Calendar Year)	1997	1998	Percent	
a. Water Plant Payroll	\$142,481	\$155,836	9.37%	
b. Distribution/Collection Payroll*	<u>188,878</u>	<u>190,476</u>	0.85%	
c. Total	\$331,359	\$346,312	4.51%	
d. Office Staff - Supervision *	\$154,879	\$164,250	6.05%	
e. Overall Total	\$486,238	\$510,562	5.00%	
2. Projected Result of Adj. 1/01/99	Actual	Estimated	Percent	Two Year Average 1997 & 98
(Calendar Year)	1998	1999		
a. Water Plant Payroll	\$155,836	\$164,572	5.61%	7.41%
b. Distribution/Collection Payroll *	<u>190,476</u>	<u>207,387</u>	8.88%	4.88%
c. Total	\$346,312	\$371,959	7.41%	5.99%
d. Office Staff - Supervision *	<u>164,250</u>	<u>177,997</u>	8.37%	7.24%
e. Overall Total	\$510,562	\$549,956	7.72%	6.39%

* Applicable to Water and Sewer

B. Total Premium - Workmans Comp.

	Premium	-- Allocated --		Allocation
		Water	Sewer	Basis
Actual 1997/98	\$14,935	\$9,689	5246	Exh. 1 - #1
Actual 1998/99	<u>\$15,833</u>	<u>\$10,272</u>	5561	Exh. 1 - #1
Net Adj.	\$898	<u>\$583</u>	\$315	

C. Property & Liability Insurance

	Premium	-- Allocated --		Allocation
		Water	Sewer	Basis
Period 7/1/98 - 6/30/9	\$32,698			
Period 7/1/97 - 6/30/9	<u>33,761</u>			
Difference	\$1,063	<u>\$690</u>	\$373	Exh. 1 - #1

EXHIBIT 5 - Continued

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

NOTES FOR TEST YEAR ADJUSTMENTS:

D. Employee Insurance:

Health Insurance :

Period	Avg. No. Employees	Premium 6/30/98	After 6/30/98	Total Premium
Single (Per Month)	10.33	\$164.14	\$186.21	
Family (Per Month)	7.58	427.58	497.20	
Average Monthly Premium		\$4,937	\$5,692	
Annual Premium		\$59,244	\$68,304	\$9,060
Portion Pd By Comm. *				\$6,040
Water Portion (Exhibit 1- Note 1)				\$3,919

* Commission pays 2/3, employee pays 1/3

Dental Insurance:

Coverage/Premium	Avg. No. Employees	Prem. to 12/31/97	Prem. to 06/30/98	Test Year Total	Effective 01/01/99
Single (Per Month)	7	\$17.17	\$19.78		\$21.00
Two Party (Per Month)	3.75	33.03	38.05		40.38
Family (Per Month)	6.42	51.54	59.39		63.04
Average Monthly Premium		\$575.00	\$662.00		\$703.00
Total for Period		\$3,450	\$3,972	\$7,422	\$8,436
Premium Increase					\$1,014
Portion Pd By Comm**					\$676
Water Portion (Exhibit 1- Note 1)					\$439

E. The 1998a KLC refunding revenue bonds refinanced the 1996 KLC loan, partially refinanced 1991 revenue bonds, and provided funds for water system improvements. The pro forma adjustment uses the first full fiscal year for the refinancing issue (1998/99) to fully state annual principal and interest payment obligations.

F. Depreciation expense was adjusted for improvements initiated in 1998. These improvements consist of a water plant expansion, water main, and elevated storage tank. Funding for this project totaled \$4,929,915. This amount amortized over 30 years gives an annual depreciation expense of \$164,330.

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Pro Forma	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	Distribution System	Allocation Basis
OPERATING COSTS - WATER:							
DIRECT EXPENSES:							
Gen. Superv. & Engineering	10,240.0	0	0	5,584	1,284	3,372	1
Supply and Pumping Labor	121,945.0	0	0	121,945	0	0	Direct
Laboratory Expense	24,774.0	0	0	24,774	0	0	Direct
Supplies - Water Plant	100,311.0	0	0	100,311	0	0	Direct
Labor - Water Structure	3,281.0	0	0	0	3,281	0	Direct
Maint Materials - Water Structures	3,715.0	0	0	0	3,715	0	Direct
Labor - Equipment	2,489.0	0	0	2,489	0	0	Direct
Maint Materials - Equipment	56,629.0	0	0	56,629	0	0	Direct
Power - Water Plant	75,506.0	0	0	75,506	0	0	Direct
Labor - Distribution Mains	24,756.0	0	0	0	24,756	0	Direct
Maint. Materials - Dist. Mains	2,648.0	0	0	0	2,648	0	Direct
Labor - Services and Meters	30,844.0	0	0	0	0	30,844	Direct
Maint. Materials - Serv. and Meters	4,628.0	0	0	0	0	4,628	Direct
Labor - Hydrants	5,579.0	0	0	0	0	5,579	Direct
Maint. Materials - Hydrants	1,795.0	0	0	0	0	1,795	Direct
Meter Reading	37,228.0	0	0	0	0	37,228	Direct
Holiday, Vac. Sick Leave	25,378.0	0	0	13,839	0	0	Direct
Landfill - Sludge Removal	3,560.0	0	0	3,560	3,182	8,357	1
Totals	535,306.0	\$0	\$0	\$404,637	\$38,866	\$91,803	Direct
ADMINISTRATIVE AND GENERAL:							
Holiday, Vac. Sick Leave	3,468.0	0	0	1,820	418	1,230	4
Office Salaries	38,085.0	0	0	15,363	3,533	19,189	3
Office Supplies and Expense	19,708.0	0	0	7,950	1,829	9,929	3
Uncollectible Revenue	2,023.0	0	0	1,313	195	515	5

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Pro Forma	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	Distribution System	Allocation Basis
OPERATING COSTS - WATER:							
Management Salaries	69,382.0	0	0	36,405	8,367	24,610	4
Legal and Accounting	15,721.0	0	0	6,342	1,459	7,920	3
Commission Memeber Fees	2,155.0	0	0	1,131	260	764	4
Insurance	28,669.0	0	0	14,476	9,224	4,969	2
Employee Insurance	47,489.0	0	0	24,918	5,727	16,844	4
Employee Retirement	58,045.0	0	0	30,456	7,000	20,589	4
Misc. General Expense	22,993.0	0	0	12,064	2,773	8,156	4
Labor - Safety Training	841.0	0	0	459	105	277	1
Maint - General Properties	13,225.0	0	0	6,939	1,595	4,691	4
Maint - Safety Equipment	1,836.0	0	0	1,001	230	605	1
Truck & Equipment	20,282.0	0	0	10,642	2,446	7,194	4
Distribution Shop Supplies	509.0	0	0	0	0	509	Direct
Cash Short/ Over	17.0	0	0	11	2	4	5
Management Training Expense	1,196.0	0	0	628	144	424	4
Office Utilities	1,505.0	0	0	607	140	758	3
Office Janitorial	2,400.0	0	0	968	223	1,209	3
Office Cleaning Supplies	20.0	0	0	8	2	10	3
Office Maintenance	971.0	0	0	392	90	489	3
Taxes	<u>27,669.0</u>	0	0	<u>14,518</u>	<u>3,337</u>	<u>9,814</u>	4
	\$378,209	\$0	\$0	\$188,411	\$49,099	\$140,699	
Total Operating Costs	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502	

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

OPERATING COSTS - WATER:

DEBT SERVICE - WATER

1991 Revenue Bonds
 1998a KLC Refunding Bonds

Coverage @ 20%
 Total

DEPRECIATION EXPENSE

Current Facilities
 Improvements
 Total

TRANSFERS TO CITY

TOTAL REVENUE REQUIREMENTS

	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>	<u>Allocation Basis</u>
	136,734	3,675	820	95,061	23,035	14,143	
	482,645	3,080	684	346,037	107,247	25,597	
	619,379	6,755	1,504	441,098	130,282	39,740	
	123,876	1,351	301	88,220	26,056	7,948	
	\$743,255	8,106	1,805	529,318	156,338	47,688	
	\$292,337	51,602	155	103,661	62,084	74,835	Exh - 4
	164,330			123,424	40,906		6
	\$456,667	51,602	155	227,085	102,990	74,835	
	\$73,713	0	0	47,854	7,099	18,760	5
	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785	

MAINS AND TANKS - This category refers to distribution mains and tanks which serve all customers including Water Districts.

DISTRIBUTION SYSTEM - This category consist of all lines, meters, hydrants and related facilities which are needed to provide water service to Shelbyville's general customers but not Water Districts.

ALLOCATION BASIS NOTES: (The following notes explain allocation bases used in the forgoing exhibit.)

- Summary of direct labor accounts.
 (This is a summary of all labor accounts shown

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Pro Forma	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	Allocation Basis
	100.00%	0.00%	0.00%	54.53%	12.54%	32.93%	
	\$10,272	0	0	5,390	1,239	3,643	4
2. Distribution of Insurance:							
a. Workmans Comp - Allocated according to percentages shown by note number 5.							
b. Property Insurance - Allocated by insured value.	\$3,890,538			\$2,048,520	\$1,842,018	228,043	3
Plant/Tanks, etc	228,043	0	0	64,193	14,767	80,170	
Distribution	159,130	\$0	\$0	\$2,112,713	\$1,856,785	\$308,213	
Office ?	\$4,277,711	0.00%	0.00%	49.39%	43.41%	7.21%	
Total Value	\$18,397	0	0	9,086	7,985	1,326	
Percentatge							
Allocation of Property Prem.	\$28,669	\$0	\$0	\$14,476	\$9,224	\$4,969	
Total Insurance Account Allocation							
3. Distribution of Office Labor and Supplies	\$9,911	0	0	15,363	3,533	\$9,911	Exh 1 - #2
Cashier (\$7.00/hr. *2080 * 68.07%)	28,174	\$0	\$0	\$15,363	\$3,533	9,278	1
Bookkeeping (Bal. of Total)	\$38,085	0.00%	0.00%	40.34%	9.28%	\$19,189	
Total	100%					50.38%	
Percent							
4. Overall Labor Distribution - Excluding Management:	\$223,633	\$0	\$0	\$121,945	\$28,037	\$73,651	
Direct Labor	38,085	0	0	15,363	3,533	19,189	
Office	\$261,718	0	0	137,308	31,570	92,840	

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

OPERATING COSTS - WATER:

5. Overall Expenses Distribution
 Operating Expenses

Pro Forma	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	Allocation Basis
100.00%	0.00%	0.00%	52.47%	12.06%	35.47%	
\$913,515	0	0	593,048	87,965	232,502	
	0.00%	0.00%	64.92%	9.63%	25.45%	

6. Depreciation Expense - Improvements
 Funding For Improvements
 Thirty Yr Amortization

\$3,702,726	\$1,227,189
\$123,424	\$40,906

Exh - 4

EXHIBIT 7

COST OF SERVICE - CASH BASIS WITH DEDICATED CAPACITY
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

<u>Revenue Requirements:</u>	<u>Total</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
	<u>Pro Forma</u>					
a. Operating Costs	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
b. Transfers	73,713	\$0	\$0	\$47,854	\$7,099	\$18,760
c. Debt Service	743,255	\$8,106	\$1,805	\$529,318	\$156,338	\$47,688
d. Depreciation Expense	456,667	\$51,602	\$155	\$227,085	\$102,990	\$74,835
Total	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785

Annual Metered Wtr. Cons.(1,000 Gals) 843,871

Total Number of Customers - Avg/Mo. 5,570

Average System Costs:

Cost Per 1000 Gallons \$2.15 \$0.07 \$0.00 \$1.66 \$0.42

Average "Customer Cost" Per Mo.

\$5.59

Cost to Wholesale Customers:

1. West Shelby County Water District:

	<u>Dist. Portio</u>	<u>Total</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
		<u>Pro Forma</u>					
a. Operating Costs	(13.65%)	\$92,958	\$0	\$0	\$80,951	\$12,007	\$0
b. Transfers	(11.11%)	6,106	0	0	5,317	789	0
c. Debt Service:	(11.11%)	77,286	901	201	58,813	17,371	0
d. Depreciation Expense	(11.11%)	42,426	5,734	17	25,232	11,443	0
Total		\$218,776	\$6,635	\$218	\$170,313	\$41,610	\$0

c. Cost Per 1000 Gals. \$1.90 0.06 0.00 1.48 0.36 0.00
 (Based on 115,179 M Gals/Yr.)

2. North Shelby County Water District:

	<u>Dist. Portio</u>	<u>Total</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
		<u>Pro Forma</u>					
a. Operating Costs	(12.96%)	\$88,259	\$0	\$0	\$76,859	\$11,400	\$0
b. Transfers	(8.68%)	4,770	0	0	4,154	616	0
c. Debt Service:	(8.68%)	60,380	704	157	45,948	13,571	0
d. Depreciation Expense	(8.68%)	33,144	4,479	13	19,712	8,940	0
Total		\$186,553	\$5,183	\$170	\$146,673	\$34,527	\$0

c. Cost Per 1000 Gals. \$1.71 0.05 0.00 1.34 0.32 0.00
 (Based on 109,367 M Gals/Yr.)

Notes:

1. Consumption by District	<u>Annual Consumption</u>		<u>Contracted Capacity</u>	
	<u>1000 Gals.</u>	<u>Percent</u>	<u>MG/ Mo.</u>	<u>Percent</u>
West Shelby Co. Wtr. Dist. Cons.	115,179	13.65%	16	11.11%
North Shelby Co. Wtr. Dist. Cons.	109,367	12.96%	12.5	8.68%
Total System Consumption/Capacity	843,871	100.00%	144	100.00%

Total plant capacity is 6 MGD but must be expanded at 80% use of capacity.
 Therefore usable capacity = 4.8 MGD (based on annual average daily usage)

EXHIBIT 8

RATE BASE AND RATE OF RETURN
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

System Values 6/30/98	Accumul. Depreciat. 6/30/98	Net Values At		Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	General Facilities	Total Water	Sewer (2)
		6/30/98	6/30/98							
Water Plant:										
Source of supply struct.	\$2,005,463	\$675,234	\$1,330,229	1,330,229		153,101			\$1,330,229	\$0
Pumping structures	204,208	51,107	153,101						153,101	0
Standpipes	1,050,068	417,010	633,058		633,058				633,058	0
Dam and line	41,356	19,500	21,856	16,392	5,464				21,856	0
Office Building	319,379	77,238	242,141					164,825	164,825	77,316
Shop building	105,243	80,322	24,921				24,921	7,972	24,921	0
Miscellaneous structures	27,971	16,259	11,712						7,972	3,740
Electric pumping equip	1,355,860	663,608	692,252			692,252			692,252	0
Purification equip.	1,662,900	570,418	1,092,482			1,092,482			1,092,482	0
Water distrib. mains	3,679,167	1,401,462	2,277,705		1,109,328		1,168,377		2,277,705	0
Services and meters	1,022,286	280,595	741,691				741,691		741,691	0
Hydrants	167,438	66,145	101,293				101,293		101,293	0
Safety Equipment	20,498	14,191	6,307					4,293	4,293	2,014
Office fixtures & equip.	132,321	103,654	28,667					19,514	19,514	9,153
Transportation Equip	293,441	214,722	78,719					53,584	53,584	25,135
Shop equip.	296,731	231,828	64,903				64,903		64,903	0
Totals	\$12,384,330	\$4,883,293	\$7,501,037	\$1,346,621	\$5,464	\$1,937,835	\$1,742,386	\$250,189	\$7,383,680	\$117,357
Reallocation of General Facilities										
			\$47,229	18.88%	\$192	\$67,965	\$61,110	(\$250,190)	\$0	
					0.08%	27.17%	24.43%	29.46%		
Adjusted Totals			1,393,850		5,656	2,005,800	1,803,496		\$7,383,681	
Work In Progress	\$4,660,000	\$0	\$4,660,000			\$3,500,000	\$1,160,000		\$4,660,000	
Add:										
Cash Working Capital (Note 1)			\$105,406		0	68,429	10,151		\$105,406	
Total Rate Base			\$1,393,850		\$5,656	\$5,574,229	\$2,973,647		\$12,149,087	
Rate of Return on Rate Base - Exhibit 9			7.32%							
Amount Generated by Rate of Return			\$101,972		\$414	\$407,805	\$217,548		\$888,813	

1. Six weeks equivalent, out-of-pocket, operating expenses, allocated on basis of overall distribution of operating costs. Refer to Exhibit 6, Note 7 for distribution percentages. (\$913,515/52*6) = \$105,406
 2. Allocated between water and sewer system on basis of number of customers - Exhibit 1 - Note 2.

EXHIBIT 9
RETURN ON RATE BASE
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

Return on Long Term Debt:			
Long Term Debt (Water System)	\$7,910,774		
Interest Expense - FY 1998/99		\$422,598	
Rate of Return /Interest Rate			5.34%
Return on Equity:			
Rate Base less Long Term Debt	<u>\$4,238,313</u>		
Return on Equity (Computed)		<u>\$466,214</u>	
Rate of Return on Equity (Case No. 97034)			11.00%
Return on Rate Base:			
Rate Base	\$12,149,087		
Return		\$888,812	
Weighted Rate of Return			7.32%

EXHIBIT 10

COST OF SERVICE - UTILITY BASIS WITH DEDICATED CAPACITY
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Total	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System
	<u>Pro Forma</u>					
Operations and Maintenance	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
Return on Rate Base	\$888,813	101,972	414	407,805	217,548	161,074
Depreciation Expense	<u>\$456,667</u>	<u>51,602</u>	<u>155</u>	<u>227,085</u>	<u>102,990</u>	<u>74,835</u>
	\$2,258,995	\$153,574	\$569	\$1,227,938	\$408,503	\$468,411

Annual Metered Wtr Cons(1,000 Gals) 843,871

Total Number of Customers - Avg/Mo. 5,570

Average System Costs:

Cost Per 1000 Gallons	<u>\$2.12</u>	\$0.18	\$0.00	\$1.46	\$0.48
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Average "Customer Cost" Per Mo.

\$7.01

Cost to Wholesale Customers:

1. West Shelby County Water District:

	Water Dist.	Total	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System
	<u>Portion</u>	<u>Pro Forma</u>					
a. Operating Costs	(13.65%)	\$92,958	\$0	\$0	\$80,951	\$12,007	\$0
b. Return on Rate Base	(11.11%)	\$80,860	11,330	46	45,312	24,172	0
c. Depreciation	(11.11%)	<u>\$42,426</u>	<u>\$5,734</u>	<u>\$17</u>	<u>\$25,232</u>	<u>\$11,443</u>	<u>0</u>
Total		\$216,244	\$17,064	\$63	\$151,495	\$47,622	\$0

c. Cost Per 1000 Gals. (Based on 115,179 M Gals/Yr.)	<u>\$1.88</u>	0.15	0.00	1.32	0.41	0.00
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2. North Shelby County Water District:

	Water Dist.	Total	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System
	<u>Portion</u>	<u>Pro Forma</u>					
a. Operating Costs	(12.96%)	\$88,259	\$0	\$0	\$76,859	\$11,400	\$0
b. Return on Rate Base	(8.68%)	\$63,172	8,852	36	35,400	18,884	0
c. Depreciation	(8.68%)	<u>\$33,144</u>	<u>4,479</u>	<u>13</u>	<u>19,712</u>	<u>8,940</u>	<u>0</u>
Total		\$184,575	\$13,331	\$49	\$131,971	\$39,224	\$0

c. Cost Per 1000 Gals. (Based on 109,367 M Gals/Yr.)	<u>\$1.69</u>	0.12	0.00	1.21	0.36	0.00
---	---------------	------	------	------	------	------

Notes:

1. District Usage/ Contracted Capacity	<u>Annual Consumption</u>		<u>Contracted Capacity</u>	
	<u>1000 Gals.</u>	<u>Percent</u>	<u>MG/ Mo.</u>	<u>Percent</u>
West Shelby Co. Wtr. Dist. Cons.	115,179	13.65%	16	11.11%
North Shelby Co. Wtr. Dist. Cons.	109,367	12.96%	12.5	8.68%
Total System	843,871	100.00%	144	100.00%

Total plant capacity is 6 MGD but must be expanded at 80% use of capacity.
Therefore usable capacity = 4.8 MGD (based on annual average daily usage)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 06 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

AFFIDAVIT OF WILLIS D. JACKSON

The Affiant, Willis D. Jackson, having been duly cautioned and sworn, states as follows:

1. I wish to make certain changes in my testimony submitted in this proceeding, the substantive changes being as follows:

A. Answer to question No. 1: In the third sentence to my answer, the final word should be "month," instead of "day";

B. Answer to question No. 23: The final phrase in the first sentence should be "consistent with the 'utility basis'," rather than "using the 'utility basis'."

C. Answer to question No. 31: The first two sentences should read "This assertion reflects a lack of understanding of how dedicated capacity is being used in the Cost of Service Study. The concept of dedicated capacity does not increase the cost of service above that which would have been computed if the District had been assigned depreciation expense and return on rate base in proportion to their actual consumption."

2. These changes are reflected in the written testimony attached as are grammatical and spelling corrections from my original testimony.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 06 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

**PETITIONERS' MOTION
TO FILE CORRECTED TESTIMONY**

The Shelbyville Municipal Water and Sewer Commission moves the Public Service Commission to file corrected testimony of witness Willis D. Jackson. The corrections in Mr. Jackson's previously filed testimony are minor and are described in his Affidavit, which is attached to this Motion.

The undersigned counsel has discussed this Motion with counsel for West Shelby Water District, which has no objection to it.

WHEREFORE, the Shelbyville Municipal Water and Sewer Commission asks that the Public Service Commission replace Willis D. Jackson's previously filed testimony with his corrected testimony, which is tendered with this Motion.

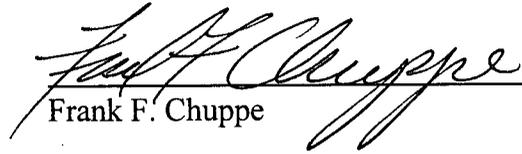
Respectfully submitted,


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 5th day of October, 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.


Frank F. Chuppe

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WYATT, TARRANT & COMBS

CITIZENS PLAZA

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502 589-5235

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29 MUSIC SQUARE EAST
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615 255-6161

313 E. MAIN STREET, SUITE 1
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615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

October 5, 1999

Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Proposed Adjustment of the Shelbyville Municipal Water and Sewer
Commission's Wholesale Water Service Rate to West Shelby Water District
Case No. 99-265

Dear Stephanie:

Enclosed please find the following that we are submitting for filing in the above-referenced matter.

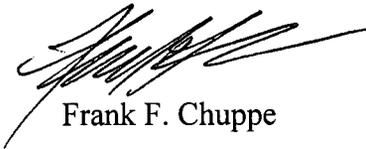
- (1) Petitioners' Motion to file a Corrected Testimony with supporting Affidavit and tendered Testimony.
- (2) Petitioners' Response to Intervenor West Shelby Water District's Motion to Amend Motion for Full Intervention.
- (3) Petitioners' Response to West Shelby's Motion for Extension of Time

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Stephanie Bell
October 5, 1999
Page 2

Very truly yours,

WYATT, TARRANT & COMBS

A handwritten signature in black ink, appearing to read "Frank F. Chuppe", with a long horizontal flourish extending to the right.

Frank F. Chuppe

FFC/kdg
Enclosures
20035734.1

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059
SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

October 1, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

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OCT 04 1999
PUBLIC SERVICE
COMMISSION

Re: The Proposed Adjustment of the Shelbyville Water and
Sewer Commission's Wholesale Water Service Rate to West
Shelby Water District.
Case No. 99-0265

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Motion For Extension of Time, along with the
original and thirteen copies of West Shelby Water District's Motion
to Amend for filing in the above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 

Donald T. Prather

DTP/kr
Enclosures
cc: West Shelby Water District
Warner A. Broughman, III
Carlos Miller

2WTR\WS\PSC\PSC5.LTR

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
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COMMISSION

In The Matter Of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER) CASE NO. 99-265
COMMISSION'S WHOLESALE WATER SERVICE)
RATE TO WEST SHELBY WATER DISTRICT)

MOTION FOR EXTENSION OF TIME

** ** * * *

Comes the Intervenor, West Shelby Water District, by counsel, and respectfully moves that the Commission grant the following extensions of time:

a) The deadline for service of requests for information upon Shelbyville be extended until October 15, 1999. West Shelby intends to actually file same on October 12, 1999.

b) The deadline for Shelbyville to file with the Commission and serve upon all parties its response for such request for information be extended so that it is ten days after West Shelby serves its requests for information upon Shelbyville.

c) The deadline for service upon Shelbyville for supplemental requests for information be extended to October 29, 1999.

No other changes are requested to the procedural schedule set forth in the September 3, 1999 Commission Order. The undersigned has spoken to Frank Chuppe and he has no objection.

The reason for this Motion is that the undersigned will be Mississippi from October 4, 1999 through October 8, 1999, the first four day days being a business trip and the last day being a vacation day. Additionally, the undersigned was delayed for several weeks in obtaining an expert witness due to dealing with a conflict of interest question, which initially cast doubt as to whether the undersigned could represent West Shelby Water District in this matter.

Mathis, Riggs & Prather, P.S.C.

By: 
Donald T. Prather
P.O. Box 1059
Shelbyville, Kentucky 40066-1059
Phone: (502) 633-5220
Fax: (502) 633-0667
Attorney for West Shelby Water
District

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing Motion for Extension of Time was served by U.S. Mail, first class, postage prepaid, this 1st day of October, 1999 upon the following:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202-2898


Donald T. Prather

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

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10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

September 24, 1999

VIA FEDERAL EXPRESS

Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

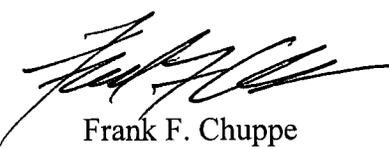
RE: Proposed Adjustment of the Shelbyville Municipal Water and Sewer
Commission's Wholesale Water Service Rate to West Shelby Water District
Case No. 99-265

Dear Stephanie:

Enclosed please find for filing six copies of the applicant Shelbyville Municipal Water and Sewer Commission's written testimony.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg
Enclosures
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 27 1999
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COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

TESTIMONY OF WILLIS D. JACKSON

1. What is your name and occupation?

Willis Jackson. My occupation may best be described as a financial consultant for municipal utilities.

2. Where are you employed?

Howard K. Bell Consulting Engineers, Inc., 354 Waller Avenue, Lexington, Kentucky.

3. Please state a brief, general description of the overall business and activities of Howard K. Bell Consulting Engineers, Inc. ("Howard K. Bell").

Howard K. Bell is a multi-discipline engineering firm which specializes in assisting cities and counties in the development of improvements to their water and sewer facilities. Our work involves assisting the client in identifying system needs, selecting the best options, determining funding methods, developing project drawings, assisting with the bidding process and providing on site engineering. We also provide advisory assistance with current facility operations including analysis of financial operations and rate development.

4. Briefly describe your own duties and responsibilities at Howard K. Bell.

My primary area of work is to provide Howard K. Bell clients with financial analysis of their water and sewer system operations and to develop service rates which allow them to

adequately support operations. My duties also include general assistance with employee benefits and accounting.

5. What is your educational background?

I earned a BA Degree at Berea College, and earned an MBA at Eastern Kentucky University. My area of concentration at Berea was mathematics with a minor in economics. My area of concentration at ECU was economics and accounting.

6. How long have you worked in your current capacity at Howrd K. Bell Consulting Engineers? Do you have other related work experience?

I was hired in May 1975 specifically to assist project engineers with financial analysis of client operations. Prior to that time many of the company's engineers provided this assistance to clients themselves. Other related work experience includes approximately 10 years of bookkeeping and accounting for an 87 unit apartment complex, and approximately 12 years of service as a church treasurer.

7. Did you prepare the Water Utility Cost of Service Study dated July 1999 for the Shelbyville Municipal Water and Sewer Commission?

Yes

8. What was the purpose of the cost of service study?

To establish Shelbyville's cost of service to the West Shelby Water District and the North Shelby Water District.

9. Do you have any experience in determining the cost of service for water utilities in general or municipal water utilities in particular?

During my years of work at Howard K. Bell, I have had the opportunity to work on many cost of service studies for water and sewer systems. These studies have been exclusive to municipal systems. I have also participated in rate cases before the public service commission.

10. Define the term "cost of service" as you applied it to this study.

Cost of service generally refers to the calculation of all costs which are involved in providing service to system customers or customer classes. Costs include 1) operating costs such as chemicals or electricity, 2) depreciation expense, and depending on the methodology used, either 3) debt service, and transfers or 4) a return on rate base. The total of these costs are also referred to as "revenue requirements."

The cost of service for a specific customer or customer class involves identifying costs which apply to that customer or class and eliminating all other costs. This study was directed toward determining the cost of providing treated water for water districts served by the City of Shelbyville, KY.

11. What instructions, if any, were you given by Shelbyville as far as the preparation of the Cost of Service Study was concerned?

The Shelbyville Water and Sewer Commission requested that our firm conduct a study to determine the actual cost to provide service to the water districts that they served. The request stipulated that the study determine cost (revenue requirements) from a "cash basis" and "utility basis" as specified by the American Waterworks Association in its water rate manuals.

12. Did anyone at the Shelbyville Commission indicate to you what he (she) believed was the actual cost of service to West Shelby?

No.

13. What methodology did you use in preparing the Shelbyville cost of service study?

The methodology may be summarized as an allocation of costs to water districts based on use of facilities and operating costs.

14. What were the basic steps you followed?

Total costs or revenue requirements were determined using both the "cash basis and utility basis" and then allocated to the water districts and general customers. The cash basis in this instance uses depreciation expense in the place of a provision for renewal and replacement. Exhibit 5 shows test year revenue requirements, using the cash basis, and test year adjustments.

15. What are the major components of revenue of revenue requirement?

Cash basis: - 1) Operating costs, such as salaries, chemicals or electricity, 2) depreciation expense to provide for renewal and replacement, 3) debt service to offset long term debt obligations, and 4) transfers to the City to provide a return on investment and compensate for ownership risk.

Utility basis: - 1) Operating costs, 2) depreciation and 3) a return on rate base.

16. After determining overall revenue requirements, what was the next step in the Cost of Service Study?

The next step was to allocate those components to determine the cost of providing service at the customer level.

17. What method did you use to do that?

Revenue requirements were broken down by major system function or category and then applied to the wholesale customer and/or general customers according to use. The cost categories used in this report are Reservoir, Intake, Treatment Plant, Mains and Tanks and Distribution.

18. What types of costs are included as "distribution costs"?

Distribution costs include all water lines [not used to serve the water districts], as well as meters, hydrants and billing costs. These costs are assignable to general water customers and are costs are set forth in Exhibit 7 to the Cost of Service Study as "customer costs." They consist of the cost to maintain the distribution system, read meters, issue bills and collect revenues.

19. Does your Cost of Service Study include demand factors?

No. Preliminary indications, based on monthly water consumption data, show maximum monthly demands to be basically the same between West Shelby and North Shelby Water District, and the Shelbyville Municipal Water systems. It is possible that maximum hourly or daily demands are different between the Districts and the City; however, such information is not available.

20. What does Exhibit 7 of the Cost of Service Study show to be Shelbyville's cost to obtain, treat, transport and store water?

\$2.15 per 1,000 gallons.

21. How does that amount compare to the cost of service per 1,000 gallons to provide service to West Shelby?

From page 7 of the report "when water district contracted capacity is considered and treated as dedicated capacity, the cost of providing treated water to water districts changes to \$1.90 for the West Shelby Water District and \$1.71 for North Shelby Water District. This concept of dedicated capacity means each District has a right to call upon dedicated capacity as it has need but may not exceed that capacity without further contract negotiation. The current contract does not refer to dedicated capacity but in fact establishes such capacity for each district by providing for use of facilities up to a specific usage per day. This portion of the facilities is therefore not available to the general customer and is a de facto dedicated capacity.

22. How did the above described analysis differ when applying the "utility basis" method of determining revenue requirements and cost of service?

Using the utility basis, revenue requirements consist of Operation and Maintenance Costs, Depreciation Expense and Returns on Rate Base. Theoretically, revenue requirements produced by either basis should give approximately the same results.

23. Why is it reasonable for Shelbyville to compute revenue requirements using a "utility basis?"

The Public Service Commission, in its required submittal for rate cases, generally mandates a computation of revenue requirements using the "utility basis." This is true for all cases that I am aware of where the utility is funded by private capital.

When a municipal utility sells water to customers outside of the municipality, as in the case of Shelbyville's sale of water to West Shelby, it is the equivalent of a private utility for the purpose of entitling it to a return on its rate base. Water districts are not like other municipal utility customers because they may contract with another supplier. The municipality which owns the production facilities is not only subject to risks of losing a water district's business, but are also at risk for natural catastrophes to its treatment or storage facilities, and is further at risk for liability for potential contamination of water to the point of service. Unless a municipal utility is entitled to a reasonable return on rate base, there would be absolutely no reason for it to sell water to customers outside of the City.

24. What rate of return did your Cost of Service Study arrive at and how was it reached?

The computed rate of return is 7.32%. Details of the computation are provided in Exhibit 9 of the report. The resulting rate of return is based on a weighted average of the interest on long term debt and an accepted return on equity. The return on equity comes from a rate previously

recognized by the Public Service Commission Case No. 97-034 for the Kentucky American Water Company.

25. Have you reviewed West Shelby's unverified assertion in its Motion to Intervene that the "cost of service study shows as a deduction depreciation on contributed property, specifically the Guist Creek Lake Reservoir" (sic)?

Yes.

26. What is your response?

First, it is my understanding that the Guist Creek Lake Reservoir was constructed by Kentucky Fish and Wildlife Department in about 1959. Although Shelbyville uses this reservoir, there is no indication that it was placed on Shelbyville's books for purposes of depreciation of the initial reservoir construction. The detail of assets under the "Source-Supply Structure" in Shelbyville's books include several entries for water treatment plant improvements. These entries make up the bulk of depreciation expenses as shown for the Reservoir. In any event, the Supreme Court of Kentucky has recognized that the Public Service Commission is required to allow rate recovery for depreciation expense on contributed property. See *Dewitt Water District v. Public Service Commission*, Ky., 720 S.W.2d 725 (1986).

27. Do you agree with West Shelby's assertion that your Cost of Service Study has incorrectly "charged" West Shelby with 13% of certain fixed costs?

No. The report has appropriately allocated or identified costs according to system function and eliminated distribution costs from the wholesale cost of service. Distribution costs consist of costs of repairs to the distribution lines, debt service, meter reading, billing, and any other relate costs. An appropriate share of office costs have been allocated to distribution costs and therefore not part of the wholesale cost of service. Exhibit 6 of the report shows the allocation of

costs to various system functions including the distribution system. Page 2 of 5 of Exhibit 6 shows the allocation of administrative costs and the basis for such allocation. Office expense (utilities, janitorial, cleaning supplies and maintenance was allocated according to Note 3 (Page 4 of 5 - derived from cashier and bookkeeper wages) and effectively allocates approximately 50% of these costs to the distribution system.

28. Could you respond to the assertion in West Shelby's Motion to Intervene that the Cost of Service Study "does not adequately consider the wholesale customers' overhead storage?"

The Shelbyville Water and Sewer Commission fulfills its obligation to the wholesale customers in part by building adequate facilities to serve them. Without adequate storage capacity in the Shelbyville system it could not maintain a ready supply of water for wholesale customers. The water districts also need their own elevated storage facilities to maintain a reasonable pressure throughout their systems.

As pointed out in the "Amended water purchase agreement" date, October 13, 1987 between Shelbyville and West Shelby County Water District, "If a greater pressure than normally available at the point of delivery is required by the District, the cost of providing such pressure shall be borne by the District. For the industrial area ... and surrounding area, the District shall construct a 500,000 gallon tank to provide fire flow and pressures that are required by its customers in these areas."

Wholesale customers having storage facilities however does not change the costs as computed. It should be noted that no demand factors were included in the cost of service to wholesale costumers. Since the costs to District, with predominantly residential customers, were not weighted for "residential peak demands", no reduction in costs should be forthcoming. Nothing asked for, nothing returned.

29. How do you respond to West Shelby's assertion in its Motion to Intervene that Shelbyville's present rate, and the proposed new rate, is requiring West Shelby "to pay for a large scale water treatment plan upgrade, an additional storage tank on the complete opposite end of the system from where West Shelby draws its water, and other system improvements, and because Shelbyville already has a system development charge, West Shelby is in effect being asked to pay twice for such improvements?"

West Shelby is not being double charged for system improvements. The rate to West Shelby was computed using only its proportions share of operating costs (13.65%) and its contracted share of facilities (11.11%) i.e. return on rate base, and depreciation. If it were paying for additional capacity within the rate structure, its proportion share of return on rat base and depreciation expense would be 13.65%, the same as its share of usage. Using the contracted limits (11.11% - Note 1 Exhibit 10), increased costs due to system improvements accrues the Districts for treatment plan betterments, not an expansion of facilities.

Since the general customer is therefore carrying any reserve capacity above that which is contracted for by the Districts, a SDC equal to their vested interest is in order should the District need additional capacity.

30. In paragraph 14 of its Motion to Intervene, West Shelby suggests that Shelbyville is seeking a return on investment for the portion of its system that is used to provide water to the city government of Shelbyville and this is unfair. How do you respond?

In fact, the rates for water usage by the city government of Shelbyville is offset when the Shelbyville Commission transfers funds to the City so the Commission is not "getting any return on this investment."

31. Paragraph 15 of West Shelby's Motion to Intervene complains that your Cost of Service Study is using the concept of dedicated capacity to unfairly increase the rate to West Shelby. Do you agree?

This assertion reflects a lack of how dedicated capacity is being used in the Cost of Service Study. The concept of dedicated capacity does not increase the cost of service above that which would have been computed if the District had not assigned depreciation expense and return on rate base in proportion to their actual consumption. In fact, use of dedicated capacity (contracted capacity) actually reduced the final cost of service. Exhibit 10 of the "Utility Cost of Service Report" prepared by Howard K. Bell Consulting Engineers, shows that West Shelby County's usage is 13.65% of total water usage. Contracted capacity however, when compared to total system capacity, is only 11.11%. West Shelby's portion of O&M cost was computed based on 13.65% and return on rate base and depreciation expense were computed based on 11.11%.

32. Would you like to respond to any other of West Shelby's assertions in its Motion to Intervene?

Not at this time. The other assertions are either irrelevant, merely rhetorical, or outside the issues addressed by the Cost of Service Study.

33. Do you incorporate by reference and adopt as part of your testimony in this proceeding the Cost of Service Study that is Appendix 1?

Yes.

34. Is the Cost of Service Study and your testimony herein true and accurate to the best of your knowledge and belief?

Yes.

Respectfully submitted,

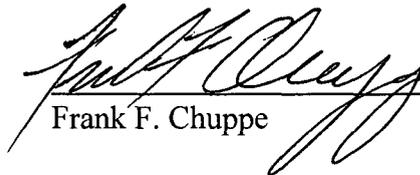


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 24th day of September, 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
SEP 27 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

TESTIMONY OF GENE FOUTS

1. What is your name and occupation?

I am Gene Fouts, Manager of the Shelbyville Municipal Water and Sewer Commission, which is located at 1059 Washington Street, Shelbyville, Kentucky.

2. Briefly describe your duties and responsibilities in that position.

I am responsible for overall management of daily operations, and future planning for the Commission. As Manager, I report directly to the Chairman of the Commission. Overall Management includes operation and maintenance of the systems, personnel management, financial management (including budgeting), and management of health and safety issues. These operations are directly micro-managed through an Assistant Manager and four Department Heads. Since 1983, assets of the combined Water and Sewer Commission have increased from \$5 million to the present level in excess of \$35 million.

3. What is your educational background?

My formal education consists of:

- a. B.S. Degree in Civil Engineering, University of Kentucky (1967).
- b. Graduate of Marine Engineering School, San Diego, Cal. (US Navy-1968).

4. Please describe your professional experience and training.

My professional experience and training include the following:

- a. 1967-1970

Three (3) years Lieutenant, US Navy. Last position was Executive Officer, Chief Engineer, and Supply Officer aboard U.S. Navy Destroyer Escort. Primary duties were personnel administration, and maintenance and operations of the ship's engineering department, which consisted of a steam drive turbo-electric main propulsion plant, steam turbine generators for ship's power, potable water distillation plant, and fire protection, as well as casualty control and damage control responsibilities.

- b. 1970-1973

General Manager - Garner-Wells Buildings: Residential Building and Real Estate Broker in Shelby County, Ky. Primarily responsible for sales, purchasing, estimating, and construction of single family homes.

- c. 1973-1974

Sales Engineer, Roll Forming Corporation: Design and sales of light gauge steel framing products for large scale residential/apartment construction in the central United States.

- d. 1975-1984

Plant Engineer, Roll Forming Corporation; responsibilities for all plant engineering functions of this manufacturing facility which had 200 employees and in excess of \$14 million/year in gross sales. Duties included

installation and on-going maintenance of various metal forming, fabrication, and finishing operations including an electro-deposition painting line. Other operations included heat-treating of metal coils, and various welding operations. Duties included "hands-on" experience in hydraulics, pneumatics, electrical power distribution and maintenance, and mechanical drive systems. The annual maintenance budget was in excess of \$480,000/year (1984).

e. 1984 to Present

Manager: Shelbyville Municipal Water and Sewer Commission. Duties are described above.

5. Do you hold any professional licenses?

Yes, as follows:

Professional Licenses/Training

- a. Professional Engineer #14206, Civil Engineering
- b. Certified Plant Engineer #2014 (Association for Facilities Engineering)
- c. Wastewater Treatment Plant Operator Class IV #4591 (currently not renewed)

Associations

- a. National Society of Professional Engineers
- b. Kentucky Society of Professional Engineers
- c. Senior Member, Society of Manufacturing Engineers
- d. American Water Works Association
- e. Water Environment Federation
- f. Qualified Peer Reviewer, American Society of Civil Engineers

6. What is your role in relation to the Shelbyville Municipal Water and Sewer Commission's ("Shelbyville") Petition for a Rate Increase to the West Shelby Water District?

Following West Shelby's Rate Complaint in the early spring of 1999, as Shelbyville's Manager I was directed by our Commissioners to determine the cost of service to West Shelby Water District. We hired Howard K. Bell Consulting Engineers to perform a rate study. Upon receiving the Howard K. Bell Consulting Engineer's Cost of Service Study in July 1, 1999, I was directed to file an application with the Public Service Commission to seek a rate increase to West Shelby that would reflect the actual cost of service.

7. Did you advise Willis Jackson, the Howard K. Bell engineer who would prepare the report, that you expected him to reach a particular result?

No.

8. Why did Shelbyville select Howard K. Bell to do the cost of service study?

It has an excellent reputation statewide and it is my understanding that this firm has experience in conducting cost of service studies for water utilities both private and public. Additionally, Howard K. Bell Consulting Engineers has performed the Commission's rate analysis for over 20 years, and has excellent knowledge of the Commission's history and system.

9. How long has Shelbyville been selling water to West Shelby Water District (hereinafter, "West Shelby")?

Since at least 1966-67. Our original contract with West Shelby is dated Jan. 25, 1996.

10. Is West Shelby the largest wholesale water customer of Shelbyville?

Yes.

11. Have you reviewed Howard K. Bell's July, 1999 Shelbyville Cost of Service Study?

Yes.

12. Have you also reviewed West Shelby's Motion to Intervene in this proceeding?

Yes.

13. Paragraph 8 of West Shelby's Motion to Intervene asserts that Shelbyville raised its rate to West Shelby effective July 1, 1998, to pay for the construction and system that currently exists, and higher rates are unnecessary because no new construction has occurred. How do you respond?

As the Howard K. Bell July, 1999 Cost of Service Study reflects, an increased rate is necessary regardless of whether new construction will occur. Even under the March 31, 1999 rate study, a rate of \$1.37 per thousand gallons was grossly inadequate. I advised West Shelby that this rate was still inadequate by letter dated March 31, 1998. West Shelby knew, or should have known, that we would be phasing in additional increases. I do not believe Shelbyville should be penalized for "phasing in" higher rates instead of seeking to implement it entirely in July of 1998. Furthermore, Howard K. Bell's 1999 Cost of Service Study contains more recent cost information.

It should also be noted that Shelbyville has increased rates to all customers other than wholesale customers effective October 1, 1999, as part of an ongoing effort to adequately finance the water system.

14. Paragraph 11 of West Shelby's Motion to Intervene claims that you have been quoted as stating that it only costs Shelbyville 30 cents per thousand gallons to produce water at its treatment plant, excluding debt service coverage. Assuming the quote is accurate, how would you explain it?

I do not know the exact quote that is being referenced, nor the time frame of the quote. In any event it has been several years since the unit cost at the water treatment plant has been at \$0.30/1,000 gallons billed. Within the last 3-5 years staffing costs and labor rates at the Water Treatment Plant have escalated due to staffing requirements required by the Division of Water, and resulting wage pressures in the water industry, not to mention high local employment labor costs due

to extremely low unemployment rates in Shelby County. Labor costs have approximately doubled since 1994, due to additional staffing and higher pay.

In addition, the new Surface Water Treatment Rule has created additional expense. Since 1994, lab/testing costs have more than doubled, and water treatment chemicals have almost doubled. (Since 1994 the volume of water billed has increased by 5% from FYE 1994-1998.)

Finally, In assessing the cost to produce water at the treatment plan, it is critical to define what costs are being considered. For example, costs like depreciation expense, debt service coverage, etc., are real costs that might fall outside the definition of the cost to "produce water" at the treatment plant.

15. In paragraphs 16 through 18 of its Motion to Intervene, West Shelby charges that the proposed rate increase is discriminatory. How do you respond?

First, I do not know how it can be discriminatory for Shelbyville to seek a rate that reflects its cost of service with a reasonable rate of return. Moreover, the Commission has recently filed a Notice of Intent with the Public Service Commission to seek a rate increase from its other wholesale customer, the North Shelby Water Company. The increase sought will be based upon the same Howard K. Bell Cost of Service Study that is the subject of this proceeding. Thus, the proposed increase to West Shelby is not discriminatory.

16. Do you agree with the contention in paragraph 19 of West Shelby's Motion to Intervene that Shelbyville has a discriminatory System Development Charge?

No, but before addressing that complaint, it should be noted that this complaint is irrelevant to this rate proceeding. As West Shelby admits, the System Development Charge described would only apply to West Shelby in the event it was agreed to by West Shelby as part of

a new contract that included an additional supply of water for West Shelby. Thus, West Shelby is attempting to inject a complaint about a hypothetical system development charge in a rate proceeding.

It should be recognized that a System Development Charge applies to all customers. New customers to the system must pay a System Development Charge based on estimate usage. Existing customers are allowed to increase their usage up to 50%, but would pay a System Development Charge for that amount above 50%. An example would be a major expansion of a manufacturing facility.

Water Districts are contractual customers with their needs identified by contract. Because of the large volumes of water purchased, as compared to our regular customers, contractual increases in their usage require a substantial taking of existing plant/distribution capacity, and may even require expansion of the treatment/distribution facilities to provide that increase in capacity. The use of dedicated capacity (contracted capacity) for rate computations allows the Districts to pay only for O&M, repair/replacement of systems, but not expanded capacity. Reserve capacity above which the Districts have contracted for are being carried by the general customer.

It should also be noted that in 1986-87 the water treatment Plan was expanded from 3.0 MGD to 4.6 MGD at a cost in excess of \$2.6 million, and primarily funded through Bond sales. No Debt Service costs as a result of this expansion were passed on to the Water Districts for at least 7-10 years. Historical rates to Water Districts are as follows:

1983	\$1.00/1,000 gallons
1994	\$1.15/1,000 gallons
1998	\$1.37/1,000 gallons

17. How do you respond to the assertion in paragraph 20 of West Shelby's Motion to Intervene that complains about the City of Shelbyville ordinance that imposes a penalty rate surcharge?

As with West Shelby's complaint about the system development charge, I do not understand how it relates to our request for a rate increase. In any event, Shelbyville considers this penalty charge to be appropriate since it will only come into play should one or both of the Districts exceed their contracted capacity.

This surcharge, which was established in July 1990, only applies to West Shelby if it breaches its contract with Shelbyville. The surcharge was enacted because water districts, including West Shelby, significantly exceeded the monthly contract limits of their water supply contracts. For example, in 1998 a water district exceeded the monthly contract amount 5 out of 12 months, including November and December, which are not high demand months. In 1989 a water district exceeded their monthly contract amount 5 out of 12 months, including January, February, March, and April which are not high demand months.

18. In its prior Public Service Commission Complaint, paragraph 11, West Shelby also contended that Shelbyville is attempting to use a rate increase to pay for construction that will not benefit West Shelby. How do you respond?

First, West Shelby incorrectly refers to the construction of a "water distribution main." In fact, the actual construction was a major transmission main which is part of the "northern loop" of Shelbyville's system. This main allows Shelbyville to pump water from the plant to its customers at a greater rate and reduced pressures, thereby reducing operation and maintenance costs. This construction was necessary to support the water treatment plan expansion and improve the reliability of the transmission lines from the water plant.

The northern loop described above is used to provide service to West Shelby. The water treatment plant is located east of the City of Shelbyville. The northern loop runs north of the City and continues west where it connects with the "southern loop." The two loops join west of the City; West Shelby's metering points are also due west of the City. Thus, construction on this main directly benefits West Shelby.

Second, the elevated storage tank also benefits West Shelby. By asserting that it should not share in the costs of the storage, West Shelby shows a lack of understanding of water systems in general and the Water Commission's system in particular. The elevated storage tank is just south of I-64 and is tied through a 10" transmission main directly into the Water Commission's southern loop. The tank will be a major design hydraulic component of the overall system that supplies West Shelby. The Water Commission presently has 2 million gallons of overhead storage and 1.25 million of ground storage (cleanwells) at the water treatment plant. That is not enough. The average treated water for 1998 was 3.125 million gallons per day. It is the Water Commission's understanding that the Public Service commission recommends that elevated storage be equivalent to the average demand for one day, 3.125 million gallons. The elevated storage tank treatment will address that need. West Shelby, and the other water district that buys water from the Commission buy more than 28% of the water sold by the Water Commission. Consequently, West Shelby's demand is a significant part of the reason for the need for the elevated storage tank and West Shelby will benefit from it.

19. Is your written testimony herein true and accurate to the best of your knowledge and belief?

Yes.

Respectfully submitted,

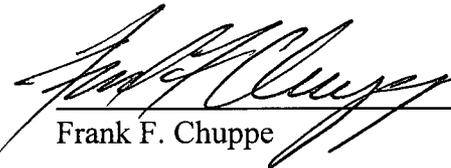


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 24th day of September, 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

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SEP 03 1999

PUBLIC SERVICE
COMMISSION

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

September 2, 1999

Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

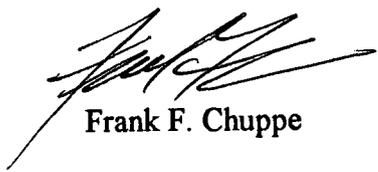
RE: Case No. 99-265

Dear Ms. Bell:

Enclosed please find for filing the City of Shelbyville and Shelbyville Municipal Water and Sewer Commission's Response to West Shelby Water District's Motion for Full Intervention and Motion to Suspend Rate Increase in the above-referenced matter. Thank you very much.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg
Enclosure
20035734.1

RECEIVED

SEP 03 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

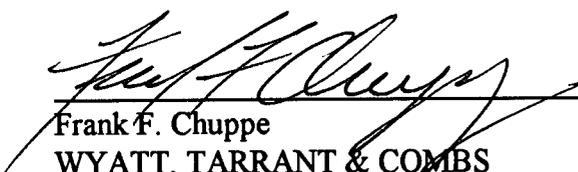
**RESPONSE OF CITY OF SHELBYVILLE AND
SHELBYVILLE MUNICIPAL WATER AND SEWER
COMMISSION TO WEST SHELBY WATER DISTRICT'S
MOTION FOR FULL INTERVENTION AND
MOTION TO SUSPEND RATE INCREASE**

The City of Shelbyville and Shelbyville Municipal Water and Sewer Commission (hereinafter collectively referred to as "Shelbyville") state that they have no objection to West Shelby Water District's Motion for Full Intervention.

However, Shelbyville objects to West Shelby Water District's Motion to suspend the rate increase because West Shelby has not offered any grounds why the rate increase should be suspended. If the Public Service Commission does decide to suspend the rate increase on its own volition, then pursuant to KRS 278.190, at the conclusion of this proceeding West Shelby Water District should be ordered by the Public Service Commission to refund to Shelbyville any part of the rate increase that is approved by the Public Service Commission.

Shelbyville declines to respond at this time to the remaining assertions in West Shelby Water District's Motion. Those assertions do not relate to the merits of the Motions and will be more appropriately addressed by Shelbyville in the course of the Public Service Commission's review of Shelbyville's proposed rate adjustment.

Respectfully submitted,

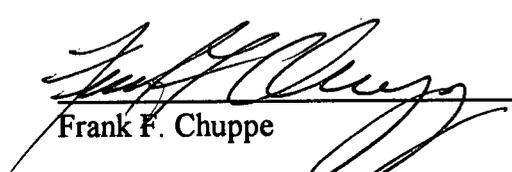


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for City of Shelbyville and Shelbyville
Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 2 day of September, 1999, upon Donald T. Prather, Mathis Riggs & Prather, P.S.C., P.O. Box 1059, 500 Main Street, Shelbyville, KY 40066-1059.



Frank F. Chuppe



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 3, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

RE: Case No. 99-265

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie D. Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
SHELBYVILLE WATER AND SEWER COMMISSION'S) CASE NO. 99-265
WHOLESALE WATER SERVICE RATE TO WEST)
SHELBY WATER DISTRICT)

ORDER

The City of Shelbyville, Kentucky ("Shelbyville") has proposed to adjust on and after October 1, 1999 its existing rate for wholesale water service to West Shelby Water District ("West Shelby District"). West Shelby District has moved to intervene in this proceeding and has requested that the Commission suspend and investigate the proposed rate adjustment and has further moved to intervene in any Commission investigation of the proposed rate adjustment.

Having considered the proposed rate adjustment and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of Shelbyville's proposed rate.

The Commission further finds that West Shelby District has a special interest in this proceeding that is not otherwise adequately represented and that its intervention is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. Shelbyville's proposed rate is suspended for five months from October 1, 1999 up to and including February 28, 2000.
2. West Shelby District's Motion for Full Intervention is granted.

3. West Shelby District is made a party to this proceeding. Any party filing testimony, exhibits, pleadings, correspondence or any other documents with the Commission shall serve a copy of such documents on West Shelby District.

4. The procedural schedule set forth in the Appendix A to this Order shall be followed.

5. Shelbyville shall give notice of the scheduled hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, it shall forward a duplicate of the notice and request to the Commission.

6. At the scheduled hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

7. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 6 copies to the Commission.

8. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. To be timely filed with the Commission, a document must be received by the Secretary of the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

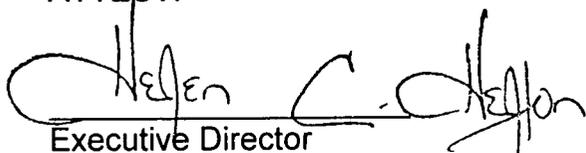
10. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

11. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 3rd day of September, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-265 DATED 9/3/99

Shelbyville shall file with the Commission and serve upon each party in written verified form the direct testimony of each witness that it intends to call in this matter 09/24/1999

All requests for information to Shelbyville shall be served upon Shelbyville no later than..... 10/08/1999

Shelbyville shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than..... 10/18/1999

All supplemental requests for information shall be served upon Shelbyville no later than..... 10/28/1999

Shelbyville shall file with the Commission and serve upon all parties of record its responses to supplemental requests for information no later than..... 11/08/1999

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than..... 11/18/1999

All requests for information to intervenors shall be served no later than..... 11/29/1999

Intervenors shall file with the Commission and serve upon all parties of record its responses to requests for information no later than..... 12/09/1999

Public Hearing is to begin at 9:30 a.m., Eastern Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses..... 12/21/1999

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

August 25, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED
AUG 27 1999
PUBLIC SERVICE
COMMISSION

Re: The Proposed Adjustment of the Shelbyville Water and
Sewer Commission's Wholesale Water Service Rate to West
Shelby Water District
Case No. 99-265

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Motion for Full Intervention and Motion to Suspend
Rate Increase for filing in the above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 
Donald T. Prather

DTP/kr
Enclosures
cc: West Shelby Water District
Warner A. Broughman, III
2WTR\WS\PSC\99265\PSC.LTR

RECEIVED

AUG 27 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE SHELBYVILLE)
WATER AND SEWER COMMISSION'S WHOLESALE WATER) CASE NO. 99-265
SERVICE RATE TO WEST SHELBY WATER DISTRICT)

MOTION FOR FULL INTERVENTION AND
MOTION TO SUSPEND RATE INCREASE

Comes West Shelby Water District, by counsel, and makes its Motion for Full Intervention and Motion to Suspend Rate Increase as follows:

1. The City of Shelbyville, ("City"), acting through its wholly owned and controlled municipal utility company named the Shelbyville Municipal Water and Sewer Commission ("Shelbyville Commission"), has proposed a wholesale water rate increase from \$1.37 per thousand gallons to \$1.88 per thousand gallons, effective October 1, 1999. The effective date may have been extended to December 1, 1999.

2. The Notice of Rate Increase was mailed to West Shelby Water District ("West Shelby") on July 30, 1999, so these motions are timely filed within the 30 day period after publication or mailing.

3. West Shelby is a jurisdictional utility which purchases water from the Shelbyville Commission.

4. West Shelby has substantial questions about whether the cost of service study conducted by the Shelbyville Commission is fair. As the Public Service Commission certainly knows, cost of service studies are easily manipulated to achieve a desired result. West Shelby believes that this cost of service study has been so manipulated. For instance:

A. The cost of service study shows as a deduction depreciation on contributed property, specifically the Guist Creek Lake Reservoir. Public Service Commission Rules do not allow utilities to depreciate contributed property.

B. The Shelbyville Commission has charged West Shelby 13% of almost all of its costs of operation, excluding basically only distribution lines. Fixed costs, such as office and office equipment expenses, which do not increase or decrease with the amount of water consumed, should be charged in equal amount to each customer or based upon the number of each customer's meters. It is inappropriate to charge one customer 13% of such fixed costs.

C. The rate study has charged West Shelby a full 13% share of tank, tank depreciation, and other overhead storage related costs. This does not adequately consider the wholesale customers' overhead storage. West Shelby has its own overhead storage tanks, which reduces its peak demand each day.

5. Although the rate study does not show the latest retail rates for customers residing within the City, upon information and belief West Shelby believes that the proposed wholesale rate is higher than other large-user retail rates. This does not make any

sense (except as part of the Shelbyville Commission's plan to drive West Shelby away as a customer and/or the City's plan to unfairly subsidize water and tax rates of City residents with revenues from vote-less county residents.) This also makes no sense in view of fact that West Shelby has overhead storage tanks, which reduces its peak demand, while few if any retail customers have overhead storage tanks.

6. The Shelbyville Commission through its new rate, and through the previously imposed rate increase, is forcing West Shelby to pay for a large scale water treatment plant upgrade, an additional storage tank on the complete opposite end of the system from where West Shelby draws its water, and other system improvements. The Shelbyville Commission has a system development charge which it will use to charge West Shelby again for these improvements should West Shelby increase its contract limit or upon renewal of West Shelby's contract when it expires. West Shelby questions whether the Shelbyville Commission should be permitted to recover any additional capital costs from a customer which will have to pay twice for such improvements.

7. The eastern half of West Shelby's territory (near Shelbyville) has become wholly reliant upon the Shelbyville Commission as the sole source of its wholesale water supply.

8. The Shelbyville Commission raised its rates effective July 1, 1998 to West Shelby to pay for the same construction projects and system that currently exists. That rate increase generated sufficient revenue to pay Shelbyville's operating costs,

as demonstrated in Case Number 99-031. According to the best information and belief of West Shelby, no new construction has occurred. Since the prior rate increase has generated sufficient income to pay the operating costs of the Shelbyville Commission's system, the instant proposed additional rate increase is obviously unjustified.

9. The Shelbyville Commission raised its rates, effective July 1, 1998, from \$1.15 per thousand gallons to \$1.37 per thousand gallons. The herein proposed rate increase is to \$1.88 per thousand gallons. The total increase within approximately a one year period is therefore from \$1.15 per thousand gallons to \$1.88 per thousand gallons, or 73¢ per thousand gallons. This is a 64.5% increase within the last year.

10. The proposed rate of \$1.88 per thousand gallons is obviously excessive when compared to other wholesale suppliers in the area. Louisville Water Company currently charges \$1.35 per thousand gallons and the Frankfort Plant Board currently charges \$1.36 per thousand gallons.

11. Mr. Gene Fouts, Manager of the Shelbyville Commission, has been recently quoted as stating that it costs the Shelbyville Commission only 30¢ per thousand gallons to produce water at its treatment plant, excluding debt service coverage.

12. The Shelbyville Commission's proposed rate violates its contract with West Shelby, a copy of which is attached hereto as "Exhibit A". That contract states that "Any future adjustment of the District's water rate shall be to the Commission's lowest rate

per thousand gallons."

13. West Shelby does not agree that the City, as owner of the Shelbyville Commission, is entitled to a return on its investment. The City is a municipal governmental entity whose purpose is to serve the public. No legitimate comparisons can be made between such an entity and a private, for-profit corporation such as Kentucky American Water Company. For instance, if the owner of West Shelby, Shelby Fiscal Court, announced that it intended to skim a profit off West Shelby and forced West Shelby to seek Public Service Commission to raise its rates to pay same, West Shelby doubts very seriously if the Public Service Commission would approve such arrangement. In any event a profit based upon 7% of the gross revenues of any business is outrageous. The gross revenues of any entity, especially a highly capital intensive business such as a utility, has no relevance whatsoever to the calculation of an appropriate profit margin.

14. The rate filing does not indicate whether the Shelbyville Commission charges the City for water consumed by the City. Assuming the City is not being so charged a fair rate, the City has no business whatsoever getting any return on this investment.

15. The Shelbyville Commission is attempting to justify its exorbitant rate based upon "dedicated capacity." This is nonsense. The supply contract attached hereto as Exhibit A clearly places no special requirements upon the City to meet the demands of the Water District, as compared to the demands of any of its other regular customers. "In the event of an extended shortage of water, or the

supply of water available to the City is otherwise diminished over an extended period of time, the Shelbyville Commission shall have the right to require consumers in the District to observe the same restrictions of use or temporary interruption of service as is required of the Shelbyville system consumers."

16. The Shelbyville Commission has apparently decided to extend this rate increase to only one of its two wholesale customers. It has apparently not chosen to extend this rate increase to its other large users, including the City, in violation of its contract with West Shelby.

17. Since the Shelbyville Commission has singled out West Shelby in this discriminatory action, West Shelby believes it is being penalized for its earlier rate challenge in Case Number 99-031.

18. The Shelbyville Commission's actions in singling out West Shelby constitute a blatant violation of the Public Service Commission's basic non-discrimination policy as set forth in KRS 278.030 and uniformly observed by the Public Service Commission in all regulations, proceedings and rulings.

19. The City has enacted a system development charge ordinance pursuant to which the Shelbyville Commission has been directed to assess West Shelby additional and exorbitant charges should West Shelby's contract limit be increased. In contrast, large users within the City are able to increase their usage by up to 50% before paying the system development charge. This is blatantly discriminatory.

20. In addition, the City has passed an ordinance whereby any wholesale purchaser which exceeds its contract limit will be assessed a penalty rate surcharge. This penalty has never been contractually agreed to by West Shelby nor submitted to the Public Service Commission for approval and should therefore be declared unenforceable as to West Shelby.

21. In this instance, West Shelby will have no access to the extra capacity without payment of the aforementioned system development charge; therefore West Shelby will be paying for construction that is not going to benefit its customers, but will rather benefit future commercial, residential, and industrial customers located within the city limits of the City.

22. There is no bonafide, reasonable, economic reason for having a different system development charge apply to West Shelby as opposed to the system development charge which applies to residents of the City.

23. West Shelby believes it is the intent and practice of the City, acting by and through the Shelbyville Commission, to unfairly subsidize the water rates charged to users inside the City, and to unfairly generate additional operating revenue for the City other than by raising City taxes, by shifting the economic burden of water production and distribution to the customers of West Shelby and other customers outside the City limits, customers who incidentally cannot vote in City elections and therefore have no protection from discrimination since the Shelbyville Commission is exempt from Public Service Commission regulation.

24. West Shelby believes that the new rate charged to West Shelby by the Commission will prove to be unreasonably high and wholly inequitable when the improper expenses are disallowed.

WHEREFORE, West Shelby respectfully requests as follows:

1. That it be granted full intervention as a party in the captioned rate case.

2. That the Commission Staff carefully scrutinize the requested rate increase.

3. That the Public Service Commission, in calculating such fair and reasonable rates, disallow all expenses for the water plant expansion unless the City and the Shelbyville Commission agree to supply West Shelby with sufficient water volume, and to do so without the imposition of penalties or additional costs, to service both its present needs and its future anticipated growth, and especially to do so upon the same terms and conditions and at the same price as extended to the customers residing within the City limits of the City.

4. That the Public Service Commission eliminate the penalty surcharge which the Shelbyville Commission would charge West Shelby if West Shelby exceeds its contractual limit.

5. That the Commission suspend the proposed rate increase until such time as the Commission has reviewed the request and made appropriate recommendations for changes in the request.

6. Any and all other relief to which West Shelby may be entitled.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather, Esq.
Attorney for West Shelby Water District
P.O. Box 1059, 500 Main St.
Shelbyville, KY 40066-1059
PHONE: (502) 633-5220
FAX: (502) 633-0667

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing was mailed this 25 day of August, 1999 to:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202

Shelbyville Municipal Water and Sewer Commission
ATTN: Gene Fouts, Manager
1059 Washington Street
Shelbyville, Kentucky 40065



Donald T. Prather

AMENDED WATER PURCHASE AGREEMENT

THIS AMENDED WATER PURCHASE AGREEMENT made and entered into as of the 13th day of October, 1987, by and between the SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION of Shelbyville, Kentucky, the "COMMISSION", and the WEST SHELBY WATER DISTRICT of Shelby County, Kentucky, the "DISTRICT".

WITNESSETH:

WHEREAS, the parties hereto entered into a Memorandum Agreement on the 22nd day of November, 1965, wherein the territory to be served by the West Shelby Water District was described, and

WHEREAS, the parties hereto have also entered into an Agreement dated January 31, 1966, and thereafter amended as of January 13, 1976, and July 12, 1977, providing for the sale of treated water by the Commission to the District, and

WHEREAS, there has now arisen questions as to which of the parties should, or could, serve an industry which is soon to be located within the District's described boundaries in the 1965 Agreement.

NOW, THEREFORE, it is mutually agreed and covenanted between the parties that said existing Agreements as amended are hereby further amended as follows:

1. In accordance with the Agreement on November 22, 1965, the Commission shall have the exclusive right to serve any residential, business, or industrial user whose property abuts the western right of way line of Kentucky Highway #55. The District has the exclusive right to serve any other user which locates on the Sach, including the Budd Company, and Burgin properties; provided, however, that the Commission shall serve the Budd Company through the 12 inch line to be installed by the Shelby County Industrial Authority until such time as the District has completed erection of the storage tank necessary to provide fire flow for the Budd Company; provided, that if the District is unable to construct the tank within the time frame hereinafter provided, the District, then, forgoes its right to serve Budd due to its inability to furnish fire flow.

2. The Industrial Authority has agreed to build a 12 inch water line from Kentucky Highway #55 at the east end of Shelby Business Park down Highway #55 to Old Brunerstown Road thence west along said road to Budd, Incorporated, thence looped to the Commission's existing line at the west end of the Shelby Business Park.

3. If an additional industry locates on the District's portion of the Sach property or the Burgin property, the Commission agrees, at District's request, provided the elevated tank and 12 inch line is to be completed, in accordance with Paragraph 5, to provide fire flow

EXHIBIT A, PG 1 of 14

service and to bill such industry(s). The Commission will advise the customer that this is the District's service area.

4. When the Commission serves the Budd Company or other industry in accordance with the foregoing paragraphs, it shall charge the Budd Company or other industry the entire cost of installing metering equipment, pit or house, and other necessary equipment to serve the industry so as to comply with West Shelby's policy of charging.

5. The District agrees to have the elevated tank and 12 inch line operational within eighteen (18) months of permanent water service to Budd. The maximum overflow elevation of said tank shall be 926.0 feet.

6. The points of connection and metering with the Commission's system shall be (1) at the existing metering point at intersection of Highway #60 and Kentucky Highway #55; (2) if and when needed, at or near Brunerstown Road and Buck Creek-Finchville Road intersection; the following meters shall be installed upon completion of the elevated tank and 12 inch line, in accordance with Paragraph #5; (3) near the south west corner of Shelby Business Park; and (4) on the Old Brunerstown Road approximately 500 feet west of the Kentucky Highway #55 right of way line.

7. The Commission will complete the installation of its 8 inch line along the Brunerstown Road to connect with its line on the Buck Creek-Finchville Road. Thereafter the Commission shall serve all users (1) on the Brunerstown Road east of Bullskin Creek, (2) on Joyce Station Road between Interstate 64 and Brunerstown Road, (3) on the south side and all those fronting on the north side of Brunerstown Road between Bullskin Creek and Buck Creek-Finchville Road. The Commission will not further extend its lines into the southwest portion of Shelby County and will not file any protests so as to deter or interfere with any arrangements which the District makes to serve the water users of southwest Shelby County who do not have a public water supply.

8. That portion of the District's certified territory hereafter referred to as the "Ardmore Lane Area" is more specifically described as follows:

BEGINNING at the point of intersection of the west right of way line of Kentucky Highway #55 and the south right of way line of U.S. Highway #60 ; thence due north to the south right of way line of the Louisville and Nashville Railway Company; thence in a westerly direction with the railroads south right of way line to a point corner to the property of Wilson Herrick; thence in a southerly direction with the line of Herrick to a point due west of the northern most extremity of Ardmore Lane; thence due east to the centerline of Ardmore Lane; thence in a southerly direction with the centerline of Ardmore Lane to the south right of way line of U.S. Highway #60; thence in an easterly direction to the point of beginning.

Any industrially zoned area now or hereafter located within the Ardmore Lane Area shall be served by the Commission. Any and all other users within said area shall be served by the District.

EXHIBIT A, pg 2 of 14

9. The parties agree that the Commission will furnish and sell to the District and the District shall purchase and pay for an amount of treated water which shall not exceed 16,000,000 gallons in any month except in case of main break and shall not be less than 7,000,000 gallons each month; provided, however, that the minimum monthly usage shall be calculated on an annual averages basis (calendar year).

10. If a greater pressure than normally available at the point of delivery is required by the District, the cost of providing such pressure shall be borne by the District. For the industrial area on the Sach and Burgin properties and the surrounding area, the District shall construct a 500,000 gallon tank to provide fire flow and pressures that are required by its customers in these areas. The District will provide the adequate storage facilities including fire flow in other industrial areas where wholesale water is provided by Shelbyville as required by the District's customer.

11. The foregoing provisions of this Amended Agreement are supplemental to and amending the Territorial Agreement between the parties dated November 22, 1965, and the water Purchase Agreement and Amendments dated January 31, 1966, and January 13, 1976, and July 12, 1977, and are, like the agreements so supplemented and amended subject to such rules, regulations, or laws as may be applicable to similar agreements in the State of Kentucky and the approval of the State Director of Kentucky of the Farmers Home Administration.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Amended Agreement to be duly executed in counterparts, each of which shall constitute an original.

CITY OF SHELBYVILLE, KENTUCKY
acting by and through its Municipal
Water and Sewer Commission

By: *Russell Ingers*
Chairman

ATTESTED:

Red L. Gyleheart
Secretary

WEST SHELBY WATER DISTRICT

By: *William L. H...*
Chairman

ATTESTED:

Thomas B...
Secretary

EXHIBIT A, pg 3 of 14

AMENDED WATER PURCHASE AGREEMENT

THIS AMENDED WATER PURCHASE AGREEMENT, made and entered into as of the 12th day of July, 1977, by and between the SHELBYVILLE MUNICIPAL WATER & SEWER COMMISSION of Shelbyville, Kentucky (the "Commission"), and the WEST SHELBY WATER DISTRICT of Shelby County, Kentucky (the "District"),

W I T N E S S E T H :

WHEREAS, the parties hereto have heretofore entered into an Agreement, dated January 31, 1966, providing for the sale of treated water by the Commission to the District, for a period of twenty (20) years from the date of initial delivery of water to the District, with an option to the District to renew said Contract for an additional term of twenty (20) years commencing at the end of the original term, and

WHEREAS, said Agreement was amended by Amendment of Agreement between the Commission and the District, dated January 13, 1976, to increase the amount of water furnished to the District by the Commission, and

WHEREAS, the parties desire to further amend said Agreement to conform to the requirements of the Farmers Home Administration of the United States Department of Agriculture, which contemplates purchasing Bonds to be issued by the District,

NOW, THEREFORE, IT IS MUTUALLY AGREED AND COVENANTED BETWEEN THE PARTIES, that said existing Water Purchase Agreement is hereby amended as follows:

1. The Commission agrees to continue supplying water to the District pursuant to the terms and conditions of its existing contractual arrangement with the District for the period ending January 1, 2017, the date of final maturity of the proposed Bonds to be issued by the District.

EXHIBIT A 4 of 14

2. The parties agree that all rights of the District under said Agreement, as amended by said Amendment of Agreement and as amended hereby, are pledged to the purchaser of \$300,000 of West Shelby Water District Waterworks Revenue Bonds of 1977, which purchaser is contemplated to be the Farmers Home Administration of the United States Department of Agriculture, as part of the security for said Bonds, and that this pledge shall apply to and for the benefit of the holders of said Bonds, including any purchaser from and/or assignee of the FmHA as to such Bonds. Nothing contained in this paragraph shall be construed to impose any greater obligation on the Commission than is otherwise set out in the aforesaid Agreement, the aforesaid Amendment of Agreement and this Amended Agreement.

IN TESTIMONY WHEREOF, witness the duly authorized signatures of the parties hereto as of the date first above written.

SHELBYVILLE MUNICIPAL WATER & SEWER COMMISSION

By Chas. L. Long
Chairman

Attest:

W. C. Lambert
Secretary

WEST SHELBY WATER DISTRICT

By Wilson L. Herish
Chairman

Attest:

Thomas B. Bishop
Secretary

FmHA concern 10-11-77
Lyle T. Harmon
LYLE T. HARMON
Chief, Community Programs

Ralph M. ...

AMENDMENT OF AGREEMENT

THIS AMENDMENT to the agreement between the following parties dated the 31st day of January, 1966, is made and entered into this 13th day of January, 1976, by and between the City of Shelbyville, Kentucky, acting by and through its duly authorized agency, THE SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION, hereinafter referred to as the "Commission", and THE WEST SHELBY WATER DISTRICT, hereinafter referred to as the "District",

WITNESSETH:

THAT WHEREAS, the quantity of water needed by the District's water customers has materially increased since the signing of the agreement dated January 31, 1966, and is expected to continue to increase by reason of continuing residential, commercial and industrial development within the area served and to be served by the District, and

WHEREAS, the production capacity of the Commission has also materially increased since 1966,

NOW THEREFORE, in consideration of the mutual benefits to be derived herefrom, it is agreed that:

1. On the second page of said agreement dated the 31st day of January, 1966, paragraph numbered one, be and is hereby amended to read:

1. To furnish and sell treated water (of the same type and quality as it furnishes its other water customers) to the District at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof in such quantity as may be required by the District (not to exceed ten million (10,000,000) gallons per month).

2. The District shall construct overhead storage facilities equal to its average daily water sales within twelve months after reaching an average monthly water sales figure of five million (5,000,000) gallons

computed over a six-month period. Upon notice by the Commission to the District in writing that said average monthly water sales have reached five million (5,000,000) gallons, the said twelve-month period shall begin to run and the construction required shall be completed before expiration of said twelve-month period.

All other terms and conditions of said agreement of January 31, 1966, shall remain in full force and effect and are hereby reaffirmed.

IN WITNESS WHEREOF, this Amendment of Agreement is duly executed in counterparts by the Commission pursuant to its Order No. 630 enacted on the 23rd day of January, 1973, by the District, pursuant to resolution of its Board of Commissioners dated 23rd day of January, 1973.

The City of Shelbyville, Kentucky,
acting by and through its

MUNICIPAL WATER AND SEWER
COMMISSION

by: Charles L. Long
Chairman

Attest:

Mary L. McCoy
Secretary

WEST SHELBY WATER DISTRICT

by: William L. Herrick
Chairman

Attest:

Thomas Backer
Secretary

EXHIBIT A, 07/14

AGREEMENT

THIS AGREEMENT made and entered into as of the 31st day of January, 1966, by and between The City of Shelbyville, Kentucky, acting by and through it's duly authorized agency, THE SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION, hereinafter referred to as The "Commission", and THE WEST SHELBY WATER DISTRICT, hereinafter referred to as The "District", and THE SHELBY COUNTY INDUSTRIAL AND DEVELOPMENT FOUNDATION, INC., hereinafter referred to as the "Foundation",

WITNESSETH:

WHEREAS, The District has been organized and established under the provisions of Chapter 74, Kentucky Revised Statutes, for the purpose of construction and operating a water supply distribution system in an area generally west of Shelbyville serving water users within the area described in plans now on file in the office of the District and to accomplish this purpose, The District will require a supply of treated water, and,

WHEREAS, The Commission operates the City owned water utility system, including source of supply, which system has a capacity currently capable of providing adequate treated domestic water requirements for the estimated number of District water users in addition to it's own connected customers, and

WHEREAS, The Foundation owns the right to withdraw surplus water from Guist Creek Lake (originally known as Chandler Lake) for use by those other than the City's water consumers and all, or the major portion, of the water to be delivered hereunder will be taken from said Lake through the City's filtration plant and system, and,

WHEREAS, The Commission in agreeing to furnish water to the District is acting on a friendly and neighborly basis and in an effort to assist the residents of the District to have water service, and,

WHEREAS, By Resolution No. 544, enacted on the 8th day

EXHIBIT A 8/14

of FEBRUARY, 1966, The Municipal Water and Sewer Commission of Shelbyville, Kentucky, the sale of water to the District in accordance with the terms and provisions of this contract was approved and execution of said contract by the Commission Chairman, attested by The Commission Secretary, was duly authorized, and

WHEREAS, by Resoltuion of The Board of Commissioners of the District, enacted on the 31st day of JANUARY, 1966, the purchase of water from The Commission in accordance with the terms and provision of this contract was approved and execution of said contract by The District Chairman, attested by The District Secretary, was duly authorized.

NOW THEREFORE, in consideration of the mutual promises of the parties hereto and of the mutual benefits to be derived herefrom, the following terms and conditions are mutually covenanted and agreed upon by the parties hereto.

The Commission Agrees:

1. To furnish and sell treated water (of the same type and quality as it furnishes it's other water customers) to The District at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof in such quantity as may be required by The District (not to exceed 3,000,000 gallons per month).

2. That the point of connection with the Shelbyville water system shall be at the intersection of U. S. Highway #60 and the west boundary line of Kentucky Highway #55. The Commission does not guarantee any specific water pressure at the point of delivery, but does covenant to use reasonable care and diligence in the operation and maintenance of it's water system to prevent and avoid interruptions and fluctuations of supply and pressure from that currently available at the point of connection. Should greater pressures than that available at the point of connection be required by The District, it shall be The District's responsibility and at it's own expense, to provide such booster pumps.

EXHIBIT A 9914

storage or other facilities as may be required to develop additional pressures within The District's system, but the Commission retains the right for its engineer to specify and the Commission control the size, type, and location of said booster pump. The Commission shall not be held responsible for emergency failures of pressures and flow at the point of connection due to main breaks, power failure, flood, fire and use of water to fight fire, act of God or other causes beyond control of the Commission.

3. To furnish, install and maintain at it's own expense at the point of connection, the necessary metering equipment including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the District and to calibrate such metering equipment whenever requested by the District but not more frequently than once every twelve (12) months. A meter registering not more than two per cent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the six months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Commission and District shall agree upon a different amount. The metering equipment shall be read on or about the first day of each month.

4. To furnish the Treasurer of the District at Simpsonville, Kentucky, not later than the 10th day of each month, with an itemized statement of the amount of water furnished the District during the preceding month.

The District Agrees:

1. To construct, install and thereafter maintain, wholly financed by funds of The District, such water mains, service lines, meters and facilities within the boundaries of the District as

it finds to be advisable. Such installations shall conform to sound engineering principles and shall comply with all applicable requirements of The Kentucky Department of Health and The Kentucky Public Service Commission.

2. To connect it's system with the Shelbyville system at the point of connection described hereinbefore. The District also agrees that prior to effecting such connection that it will, at it's own expense, properly install and subsequently maintain in good working condition, such check valve installation as is necessary to preclude a reverse flow of water through the meter installation from The District's system to the Shelbyville system, and said check valve shall be installed in meter pit or house in order to be inspected by meter reader. Such installation is deemed necessary inasmuch as the District will provide part of it's water supply requirements from another source or sources.

3. To pay a connection fee to connect the Shelbyville water system with the District Water System, depending upon which size of meter the Commission engineer determines is necessary for it's purposes. The connection fee as determined by the Commission's engineer, shall cover any and all costs of the Commission for installation of the metering equipment and appurtenant devices, and shall be paid for entirely by the District.

4. To pay the Commission, not later than the 25th day of each month for water delivered as measured by the aforementioned meter at a rate currently established at thirty five (35) cents per 1000 gallons. It is agreed that if, in the future, a change in the Commission's water rate is made to it's other water customers, the rate to the District shall also be adjusted, either up or down as the case may be. Inasmuch as the current rate of 35 cents per 1000 gallons is the lowest rate per 1000 gallons for which the Commission charges for water service, any future adjustment of the District's water rate shall be to the Commission's lowest rate per 1000 gallons.

EXHIBIT A 10/11/14

5. To pay the Commission a minimum monthly charge for water service of \$100.00 from the date of installation of the permanent metering device.

6. The reasonable rates, regulations and limitations which the Commission may impose upon other regular customers with respect to the use of it's water will be applicable to the District which will cooperate with the Commission in enforcing same.

7. To bill its customers for sewer charges as specified by the Commission, in the event sewers are installed by the Commission and pay said charges received to the Commission not later than the 25th day of each month after the month received.

The Foundation Agrees:

1. That for the sum of ONE DOLLAR (\$1.00) cash in hand paid and other valid considerations, the receipt of which is acknowledged, the Commission may take from Guist Creek Lake, process and deliver such water as is required by the District under the terms of this agreement.

IT IS FURTHER MUTUALLY AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. That this contract shall extend for a period of twenty (20) years from the initial delivery of any water by The Commission and the District is hereby granted an option to renew or extend this contract for an additional term of twenty (20) years commencing at the end of the original term aforesaid, and no notice of extension is required to be given; Provided, however, that the District may terminate this contract upon sixty (60) days written notice to the Commission after five (5) years from the initial delivery of any water by the Commission if the District can show that water is available to it at a cheaper rate than that granted by the Commission.

2. That ten (10) days prior to the estimated date of completion of construction of the District's water system, the District will notify The Commission in writing the date for initial delivery of water.

EXHIBIT A 9/2/14

3. When requested by the District the City will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing and trench filling the system of the District during construction. In the event the permanent meter installation has not been completed at that time, a temporary metering arrangement shall be installed by The Commission for measuring such water use. Water so used during construction shall be paid for at the current retail Shelbyville water rate by the contractor, or, on his failure to pay, by the District.

4. That the City will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the District with quantities of water required by the District. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the City is otherwise diminished over an extended period of time, the Commission shall have the right to require consumers in the District to observe the same restrictions of use or temporary interruption of service as is required of the Shelbyville system consumer's.

5. That provisions of this contract may be modified or altered by mutual agreement.

6. That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in the State of Kentucky, and the City and District will collaborate in obtaining such permits, certification, or the like, as may be required to comply therewith.

7. That in the event the construction of the water supply distribution system by the District is financed by a loan from (or a loan insured by) the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, the provisions hereof pertaining to the undertakings

of the District are conditioned upon the approval, in writing of the State Director of Kentucky, of the Farmers Home Administration. Similarly, any future modification of the provisions of this Contract would be conditioned upon the prior approval, in writing, of the State Director of Kentucky of the Farmers Home Administration. Such prior approval shall not, however, apply to a change in rates to be paid by the District for delivery of water by the Commission as this is controlled by the provisions of Paragraph 4 above under "The District Agrees".

8. That in the event of any occurrence rendering the District incapable of performing under this contract, any successor of the District, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the District hereunder.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in counterparts, each of which shall constitute an original.

The City of Shelbyville, Kentucky
Acting By And Through It's

MUNICIPAL WATER AND SEWER COMMISSION

By: Louis C. Topmiller
Chairman

Attest:

Mary h. McRay
Secretary

WEST SHELBY WATER DISTRICT

By: Wilson L. Herrick
Chairman

Attest:

[Signature]
Secretary

SHELBY COUNTY INDUSTRIAL AND
DEVELOPMENT FOUNDATION, INC.

By: [Signature]
President

Attest:

[Signature]
Secretary

EXHIBIT A, pg 14 of 14



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 16, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

RE: Case No. 99-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 637-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

SAMUEL G. BRIDGE

August 2, 1999

RECEIVED

AUG 3 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

FILED

AUG - 3 1999

PUBLIC SERVICE
COMMISSION

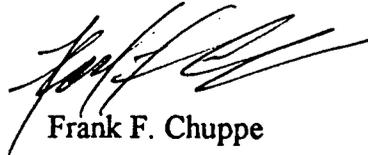
RE: Case No. 99-265
In the Matter of: An Application of the Shelbyville Municipal
Water and Sewer Commission for a Rate Adjustment to
West Shelby Water District

Dear Stephanie:

Enclosed please find the Shelbyville Municipal Water and Sewer Commission's Application for Adjustment in Rate to West Shelby Water District which we are submitting for filing to the Public Service Commission. Thank you for your cooperation and please let me know if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg

Enclosures

E:\FFC\BELL.LTR.wpd



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 9, 1999

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY. 40202 2898

RE: Case No. 99-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Rates - General)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received August 3, 1999 and has been assigned Case No. 99-265. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
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MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

SAMUEL G. BRIDGE

August 2, 1999

RECEIVED

AUG 3 1999

PUBLIC SERVICE
COMMISSION

FILED

AUG - 3 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

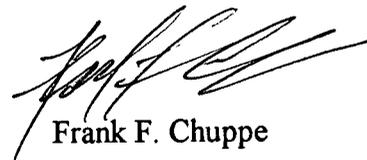
RE: Case No. 99-265
In the Matter of: An Application of the Shelbyville Municipal
Water and Sewer Commission for a Rate Adjustment to
West Shelby Water District

Dear Stephanie:

Enclosed please find the Shelbyville Municipal Water and Sewer Commission's Application for Adjustment in Rate to West Shelby Water District which we are submitting for filing to the Public Service Commission. Thank you for your cooperation and please let me know if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFC\BELL.LTR.wpd

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 99-265

An Application of the Shelbyville Municipal
Water and Sewer Commission for a Rate
Adjustment to West Shelby Water District

RECEIVED

AUG 3 1999

PUBLIC SERVICE
COMMISSION

**SHELBYVILLE MUNICIPAL WATER AND SEWER
COMMISSION'S APPLICATION FOR ADJUSTMENT
IN RATE TO WEST SHELBY WATER DISTRICT**

The Shelbyville Municipal Water and Sewer Commission (hereinafter referred to as "Shelbyville") states that it initiates this proceeding to seek the Public Service Commission's (hereinafter "Commission") approval to adjust its water rates to one customer, West Shelby Water District. Shelbyville operates a water system in the City of Shelbyville and other parts of Shelby County, Kentucky. Shelbyville respectfully submits that it is not clear whether the proposed increase to this single customer brings this application under the purview of 807 KAR 5:001, Section 10. Nonetheless, to avoid a dispute on this issue, Shelbyville lists below its response to 807 KAR 5:001, Section 10.

Response to 807 KAR 5:001, Section 10(a):

1. A statement of the reason the adjustment is required. The adjustment is required to enable Shelbyville to collect an adequate rate from its largest customer, West Shelby Water District. Shelbyville must generate the necessary funds to meet its debt service obligations, to provide for continued operation and maintenance of its facilities, and to generate a reasonable rate of return on the system to the City of Shelbyville. The rates currently charged to the West Shelby Water

District are insufficient to allow the City to do that. The proposed rate would reflect the actual cost of providing water to West Shelby to reach the objectives stated herein.

2. A statement that the utility's annual reports, including the annual report for the recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1).

2. These provisions do not apply because as a municipal water company, Shelbyville does not have to produce annual reports nor file them with the Commission.

3. If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out-of-state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.

3. Shelbyville is not a corporation; thus, this provision does not apply.

4. If the utility is a limited partnership, a certified copy of the limited partnership agreement and all amendments thereto or out-of-state documents of similar import. If the utility's limited partnership agreement and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.

4. Shelbyville is not a limited partnership; thus, this provision does not apply.

5. If the utility is incorporated or is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date of the application is filed.

5. The provision is not applicable because Shelbyville is not a corporation or limited partnership.

6. A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.

6. Shelbyville always conducts business as the Shelbyville Municipal Water and Sewer Commission and has never filed a Certificate of Assumed Name as such certificate is not necessary.

7. The proposed tariff in a form which complies with 807 KAR 5:011 with an effective date of not less than thirty (30) days from the date the application is filed.

7. Shelbyville does not have a tariff on file with the Commission, but has attached as Appendix A, the relevant information in tariff form.

8. The utility's proposed tariff changes, identified in compliance with 807 KAR 5:011, shown either by:

a. Providing the present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or

b. Providing a copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions; and

8. This information is attached as Appendix A.

9. A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of this notice.

9. Shelbyville has complied with subsections (3) and (4) of this section. A copy of said notice is attached hereto as Appendix B.

Response to 807 KAR 5:001, Section 10(6):

(6) All applications supported by a historical test period shall include the following information or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(a) A complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.

(a) This information is contained in the Cost of Service Study that is filed with this application and identified as Appendix C.

(b) If the utility has gross annual reserves greater than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application.

(b) Shelbyville will file written testimony in accordance with the case management order as set by the Commission.

(c) If the utility has gross annual revenues less than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application or a statement that the utility does not plan to submit any prepared testimony.

(c) Not applicable because Shelbyville's gross annual revenues exceed \$1,000,000.

(d) A statement estimating the effect that the new rate(s) will have upon the revenues of the utility including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease.

(d) It is estimated that an increase to \$1.88 per 1,000 gallons would increase Shelbyville's water revenue by approximately \$62,500 per year, an increase of approximately 4.3%

of Shelbyville's overall water revenues from the West Shelby Water District, which is an increase of 2.5% of Shelbyville's combined water and sewer revenues.

(e) If the utility provides electric, gas, water or sewer service the effect upon the average bill for each customer classification to which the proposed rate change will apply.

(e) It is estimated that an increase to \$1.88 per 1,000 gallons would increase Wet Shelby Water District's water bill to Shelbyville by approximately \$62,500 a year, a 37.2% increase.

(f) If the utility is a local exchange company the effect upon the average bill for each customer class for the proposed rate change in basic local service.

(f) Not applicable.

(g) An analysis of customers' bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class.

(g) This provision is not applicable because there is only one wholesale rate.

(h) A summary of the utility's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

(h) See Appendix C.

(i) A reconciliation of the rate base and capital used to determine its revenue requirements.

(i) See Appendix C.

(j) A current chart of accounts if more detailed than the Uniform System of Accounts prescribed by the Commission.

(j) The chart of accounts is attached as Appendix D.

(k) The independent auditor's annual report, with any written communications from the independent auditor to the utility which indicates the existence of a material weakness in the utility's internal controls.

(k) The independent auditor's annual report is attached as Appendix E. There are no written communications from the auditor indicating a material weakness in the utility's internal controls.

(l) The most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.

(l) Not applicable.

(m) The most recent Federal Energy Regulatory Commission Form 1 (electric) Federal Energy Regulatory Commission Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone).

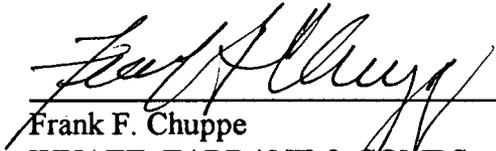
(m) Not Applicable.

(n) A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.

(n) See Appendix F.

Paragraphs (o) through (v) of subsection 6 of 807 KAR 5:001, Section 10, are not applicable to Shelbyville.

Respectfully submitted,



Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 2nd day of August 1999, upon West Shelby Water District, P.O. Box 26, Simpsonville, Kentucky 40067; and Donald T. Prather, Esq., Mathis, Riggs & Prather, 500 Main Street, P.O. Box 1059, Shelbyville, KY 40066-1059.



Frank F. Chuppe

INDEX OF APPENDIX

- A. Tariff Forms
- B. Notice of Rate Increase to Customer
- C. Cost of Service Study
- D. Chart of Accounts
- E. Independent Auditor's Report
- F. Depreciation Report

APPENDIX A

P.S.C. Ky. No. _____

Cancels P.S.C. Ky. No. _____

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

OF

1059 WASHINGTON STREET, SHELBYVILLE, KENTUCKY 40065

**RATES, RULES AND ADMINISTRATIVE REGULATIONS
FOR FURNISHING SERVICE TO
WEST SHELBY WATER DISTRICT IN SHELBY COUNTY, KENTUCKY**

FILED WITH PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED _____, 1999

EFFECTIVE October 1, 1999



ISSUED BY Gene P. Fouts, P.E., C.P.E.
Manager
Shelbyville Municipal Water
and Sewer Commission
1059 Washington Street
Shelbyville, Kentucky 40065

APPENDIX B

WATER UTILITY COST OF SERVICE STUDY

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

SHELBYVILLE, KENTUCKY

JULY 1999

The Shelbyville Water and Sewer Commission has determined that there is a need to analyze its current and projected financial operations to determine the cost of providing service to its customers. Pursuant to that need, we have completed the following study regarding the cost of treatment and distribution of water. Since the adequacy and equity of wholesale customer rates is of primary concern, emphasis has been given to that particular area of the study. This study is both an update of a study conducted in 1998 and a more detailed extension of that study. The latest available financial data has been included in this study along with the latest known operating adjustments.

This report consists mainly of Exhibits 1 through 10 which are attached. A brief overview of these exhibits will be provided in the following text.

EXHIBIT 1 - STATEMENT OF REVENUES AND EXPENSES

Operating revenues and expenses for the water and sewer systems are provided in Exhibit 1 for the fiscal year ended 6/30/98. Information provided therein is strictly for the purpose of introducing test year data and allocating such between the water and sewer systems. It is not intended here to show the adequacy or inadequacy of current rates or revenues. Debt service (principal and interest) on outstanding loans and bonds are provided by this exhibit along with depreciation expense and transfers to the City. This is merely to introduce the test year numbers for these elements of cost. These numbers have been used in subsequent exhibits to compute a cost of service for water, based on both the "cash basis" and "utility basis."

Direct operating expenses shown in Exhibit 1 refer to costs which have been identified by Commission staff as pertaining to a particular expense account. Direct labor costs are identified and separated based on time sheet records produced by each field and plant employee. Other direct costs are identified from vendor invoices. Allocation procedures are therefore not needed to separate "direct" costs between water and sewer accounts.

General and administrative expenses require an allocation of costs between the water and sewer systems. On page two of Exhibit 1, each line item is allocated by using a specific basis which is referenced by a numbered note. These notes are found on page 3 of the exhibit and provide the percentages or amounts used in each allocation. For example, Office Salaries has been allocated

on the basis of number of customers in each system and is referenced by note 2.

EXHIBIT 2 - SCHEDULE OF DEBT SERVICE

The payment schedule for outstanding long term debt is presented in Exhibit 2, both before the refinancing issue of 1998 and afterward. Prior to refinancing, long term debt consisted of a Kentucky League of Cities (KLC) bond issue dated 1991 and a KLC loan dated 1996. The refinancing issue, 1998a, refinanced all of the 1996 loan and a portion of the 1991 KLC Bond issue. The prior issues and current outstanding issues incorporate a provision for coverage of maximum annual principal and interest of 1.20x for the issuance of parity debt. The payment schedules have been presented in fiscal year intervals. Semi-annual payments are due from the City on or about June 25 and December 25 of each year.

EXHIBIT 3 - ALLOCATION OF LONG TERM DEBT

Exhibit 3 provides an allocation of outstanding bond issues and associated debt service between the water and sewer systems. Debt service is also allocated between major components of the water and sewer systems. Since the 1991 bond issue was for the dual purpose of sewer plant improvements and refinancing of outstanding issues, it was necessary to examine the original purpose for each issue refinanced. Engineering reports, bond ordinances, etc. were used to determine the proper allocation based on outstanding balances at the point of refinancing (1991). Improvements to the sewer plant totaling \$2,600,000 were included in the 1991 bond issue.

The 1996 KLC loan was primarily for sewer plant work but did include about \$261,000 of miscellaneous water system improvements.

As indicated previously, the refinancing issue of 1998a, refinanced the 1996 KLC loan and partially refinanced the 1991 KLC bond issue. This activity and allocations are provided in Exhibit 3, page 2 of 2. Principal and interest for the first year (1999) of the refinancing issue is shown and allocated for each issue. The total amounts allocated to the water and sewer systems are highlighted in Exhibit 3 and are summarized in the following table.

PRINCIPAL AND INTEREST - YEAR 1999

Issue	Water	Sewer	Total
1998a	\$482,714	\$201,697	\$ 684,411
1991	\$136,734	\$191,403	\$ 328,137
Total	\$619,448	\$393,100	\$1,012,548

EXHIBIT 4 - LISTING OF RENEWAL AND REPLACEMENT ITEMS

The Shelbyville Municipal Water and Sewer Commission, in an attempt to keep the water system well maintained, incorporates a systematic renewal and replacement of various system components. These renewal and replacements, are placed on the books as capitalized items but are paid for with cash operating funds. The Commission supports these renewal and replacements through the mechanism of recognizing depreciation expense as a real cost to the system and including this category of expense in total revenue requirements. This expense is thereby incorporated in rates to all water customers. A detailed listing of depreciation expense for the test year is provided by Exhibit 4. Each expense item has been further allocated to system components and in some instances a portion of the identified cost has been allocated to the sewer system. It should be noted however that this exhibit does not attempt to show all expenditures for the sewer system and no comparison of costs between the water and sewer systems is possible from this information.

Total depreciation expense identified for the water system for the fiscal year ended 6/30/98 was \$292,337.

The City of Shelbyville also uses a system development charge (SDC) for the long term operation of its water and sewer systems. This Shelbyville SDC was developed from AWWA methodology using the "Buy in Method." This method calculates accumulated equity in the system and allows new customers to buy into the system by replacing a proportionate share of that equity. New customers thereby enter the system with an investment or equity on par with current customers. System development charges, when accumulated in a construction reserve fund, provide some rate protection for the current customer when an expansion of facilities is needed.

A provision for depreciation expense which generates funds for renewal and replacement (R&R), is separate and different from system development charges (SDC). Depreciation/R&R replaces existing components (maintains existing capacity) whereas SDC provides funds only for expansion (replaces capacity).

EXHIBIT 5 - TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS

Prior to determining a cost of service for the production, transportation, storage and distribution of water, it is necessary to identify all cost components and present them in an accepted format. Exhibit 5 shows these items of cost for the test year using a "cash basis" and adds adjustments for changes in operations that are known at this time. This summarization of costs is generally referred to as "revenue requirements" and is typically used to assess the adequacy of current rates. In the instance of this report, Exhibit 5 serves to show all test year costs/ revenue requirements and make adjustments to compose a pro forma statement of revenue requirements. Subsequent exhibits will use pro forma numbers to compute a cost of service.

APPENDIX C

WATER UTILITY COST OF SERVICE STUDY

SHELBYVILLE MUNICIPAL WATER

AND SEWER COMMISSION

SHELBYVILLE, KENTUCKY

JULY 1999



HOWARD K. BELL
Consulting Engineers, Inc.

354 Waller Avenue, P.O. Box 546, Lexington, KY 40585 • 606/278-5412 • Fax 606/278-2911
102 W. Second Street, P.O. Box 661, Hopkinsville, KY 42240 • 502/886-5466 • Fax 502/886-5122
111 East Kentucky Street, Louisville, KY 40203 • 502/584-8877 • Fax 502/584-9393
3983 Teays Valley Road, Suite 208, P.O. Box 266, Scott Depot, WV 25560 • 304/757-8031

To: West Shelby Water District
P.O. Box 26
Simpsonville, Kentucky 40067

NOTICE OF RATE INCREASE

The Shelbyville Municipal Water and Sewer Commission hereby notifies the West Shelby Water District that it is proposing to increase the rate for water sold to the West Shelby Water District by 37.2 % as follows:

Water Rate Per 1,000 Gallons Per Month	
\$1.37	(old rate)
\$1.88	(new rate)

The new rate contained in this notice is the rate proposed by the Shelbyville Water and Sewer Commission. However, the Public Service Commission may order that the rate be charged be different from the proposed rate contained in this notice. Any corporation, association, or person with a substantial interest in this matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate change, request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown. Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by the Shelbyville Municipal Water and Sewer Commission by contacting the Shelbyville Municipal Water and Sewer Commission at 1059 Washington Street, Shelbyville, Kentucky 40065, (502) 633-2840, or by contacting the Public Service Commission at 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602; (502) 564-3940.

The "cash basis" method of presenting revenue requirements refers to the identification of cash outlays for operation of the system. Typically it would include O&M costs, Debt Service, Renewal and Replacement and Transfers. This method is presented by the American Water Works Association in its M1 Manual on Water Rates and is often found in various forms in municipal bond ordinances which authorize the issuance of revenue bonds. This report differs from the cash basis only in its use of depreciation as a proxy for renewal and replacement. The "utility basis," which will be discussed later, consists of O&M costs, Depreciation Expense and a Return on Rate Base.

O&M costs, debt service, and depreciation expense have been discussed previously but "transfers" of funds to the Shelbyville City Government are also cash outlays which should be covered by water revenues. It is Shelbyville's current policy to require the Utility Commission to remit an amount specified by City government. During the test year, transfers (\$123,225) were 4.96% of gross sales and no adjustments of this cost were incorporated in the pro forma statement. Current City policy indicates that transfers will not exceed seven (7) percent of gross water and sewer sales depending on the performance of current utility operations. There is justification of such transfers from the standpoint that the City owns the utilities and deserves a return on assets. This argument is easily supported for customers outside the City including water/sanitation districts. Fund transfers from municipal utilities to city governments, is a common practice in the State of Kentucky.

Adjustments to operating costs as provided in Exhibit 5 are primarily of an inflationary nature. Comments regarding adjustments found in Exhibit 5 follow.

- A. Salary adjustments make up the largest adjustment component followed by employee benefits and insurance. From page 3 of Exhibit 5, it may be seen that salaries are adjusted on January 1 of 1998 and 1999. The test year incorporated the increase in salaries on January 1, 1998. A general salary increase also occurred in January 1999, outside the test year. In an effort not to overstate salaries, this report has used a one-time adjustment based on the two year average wage and salary increase (1998 & 1999) to adjust test year numbers. Labor accounts were adjusted by using the two-year average percentage.
- B. Workman's compensation insurance is renewable at the end of the fiscal year. Actual costs are therefore available for fiscal 1998/99. The net adjustment from the test year is \$583 for the water portion.
- C. Property and liability insurance premium for fiscal year 1998/99 resulted in an increase of \$690 annually for the water system portion.
- D. Annual costs for dental and health insurance (Exhibit 5, Note D.) was adjusted according to changes in monthly premiums and applied to the average number of employees per month. The result, after subtracting the test year premium, was further reduced to the

portion that the Commission pays for the employee (2/3) and again reduced to the water portion of the premium. The final adjustment for health and dental insurance premiums was \$4,438 annually.

- E. In 1998 the Shelbyville Water and Sewer Commission refinanced its outstanding 1996 KLC loan and a portion of its 1991 KLC bonds. The refinancing issue, 1998a, was a KLC bond issue which also included an additional \$4,929,915 of new money for water system improvements. This added \$329,051, to overall debt service for the water system including coverage of 20%.
- F. Funding of water system improvements during calendar year 1998 totaled \$4,929,915 and were a part of the 1998a KLC refinancing bond issue. These improvements consist of a water plant expansion, 14" water main and a one million gallon elevated storage tank. Construction is now under way and all improvements will be utilized in serving all classes of water customers in the Shelbyville system, including water districts. A 30 year amortization of these facilities gives an annual depreciation expense of \$164,330.

A detailed presentation of revenue requirements is provided in Exhibit 5 and is summarized in the following table.

REVENUE REQUIREMENTS

	Test Year	Adjustment	Pro Forma
Operating Costs	\$881,379	\$32,216	\$913,595
Debt Service w/ 20%	\$414,287	\$328,968	\$743,255
Funds Transf. to City	\$73,713	\$0	\$73,713
Depreciation Expense	<u>\$292,337</u>	<u>(\$164,330)</u>	<u>\$456,667</u>
Total Rev. Requirements	\$1,661,716	\$525,434	\$2,187,150

Miscellaneous non operating income totaled \$44,617 for the test year and consisted mostly of interest income on reserve funds (\$42,791) . Since this interest income accrued to reserve funds and was unavailable for operations, it was not included as an offset to revenue requirements.

EXHIBIT 6 - BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS

With pro forma revenue requirements determined and shown by Exhibit 5, the next task was to break down those requirements (costs) to determine the cost of providing service at the customer level. The methodology chosen by this report was to breakdown revenue requirements by major system component and determine its applicability to cost computations for the wholesale customer and customers in general. The categories of costs are Reservoir, Intake, Treatment Plant, Mains and Tanks, and Distribution. Administrative and general costs are distributed among these categories.

Since the focus of this report is the cost to provide treated water to the Water Districts, the cost category "Mains and Tanks" includes only those facilities which contribute to serving all customers, including the water districts. More specifically, all water tanks have been included under Mains and Tanks, but some distribution mains which do not contribute to serving the water districts have been excluded.

Distribution costs include all other water lines plus, meters, hydrants and billing costs. These costs are assignable to general water customers. These costs are presented in Exhibit 7 as "customer costs" and consist of the cost to maintain the distribution system, read meters, issue bills and collect revenues. It may be argued that Water Districts should participate in customer costs based on the number of meter locations.

Demand factors have not been incorporated in this report. Preliminary indications, based on monthly water consumption data, showed maximum monthly demands to be nearly identical between the Water Districts and the Shelbyville Municipal Water System. It is possible that maximum hourly or daily demands are different between the Districts and the City, however such information is not available.

This report takes the position that water tanks and water mains as defined above are integrated to maintain pressure and storage throughout the system and therefore cannot be broken down as to a particular water main or tank that serves a particular water district. This category of costs is assigned to the districts on the basis of each district's usage and contracted capacity - Exhibits 7 and 10. Assigning a particular storage tank to a particular district would seem to be of little value anyway since each district's use of water from a particular tank is proportionately greater than its use from all tanks, i.e. the resulting costs should be close to the same.

Exhibit 6 provides a breakdown of pro forma costs into major system components and is summarized in the following table.

	Pro Forma	Reservoir	Intake	Plant	Mains/ Tanks	Distrib. System
Operations	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
Debt Serv.	\$743,255	\$8,106	\$1,805	\$529,318	\$156,338	\$47,688
Deprec.	\$456,667	\$51,602	\$155	\$227,085	\$102,990	\$74,835
Transf.	\$73,713	\$0	\$0	\$47,854	\$7,099	\$18,760
Total	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785

EXHIBIT 7 - COST OF SERVICE - CASH BASIS WITH DEDICATED CAPACITY

The cost to obtain, treat, transport and store water is determined in Exhibit 7 to be \$2.15 per 1,000 gallons. This cost is based on pro forma data and test year metered water consumption and pertains to all customers. The average customer cost per month is \$5.59.

When water district contracted capacity is considered and treated as dedicated capacity the cost of providing treated water to water districts changes to \$1.90 for the West Shelby Water District and \$1.71 for North Shelby Water District. This concept of dedicated capacity means each District has a right to call upon dedicated capacity as it has need but may not exceed that capacity without further contract negotiation. The current contract does not refer to dedicated capacity but in fact establishes such capacity for each district by providing for use of facilities up to a specific usage per day. This portion of the facilities is therefore not available to the general customer and is a de facto dedicated capacity. It appears only fair that each district should be required to support only the capacity to which it has a claim. To the extent that the district is not fully using it contracted capacity, it is supporting reserve capacity. The general customer is supporting all other capacity which is used and in reserve. Should either water district require additional capacity, new contract negotiations would be required and a system development charge would likely be levied to compensate the general customer for reserve capacity with it has supported through current and past rates.

From Exhibit 7, West Shelby Water District uses approximated 13.65% of total water consumption. This percentage when applied to total O&M costs gives \$92,958 which is applicable to water used by the West Shelby Water District. Based on dedicated capacity, only 11.11% of total debt service (\$77,286), depreciation expense (\$42,426) and transfers (\$6,106), is

applicable to the cost of water used. The combined total cost is \$218,776 and gives a cost per 1,000 gallons of \$1.90. It should be noted that the percent of usage is applied only to operating costs. Transfers, debt service and depreciation appear to be more related to assets used to serve water districts and therefore are applied to the percent of dedicated capacity.

The corresponding percentage for North Shelby County Water District is 12.96% for operating costs (based on consumption) and 8.68% for debt service, transfers and depreciation expense (based on dedicated capacity). This gives a cost per 1,000 gallons of \$1.71.

EXHIBIT 8 - RATE BASE AND RETURN ON RATE BASE

Prior exhibits in this report have been oriented toward development of a cost of service by using a "cash basis" methodology. The AWWA also proscribes a "utility basis" of determining revenue requirements and cost of service. Using this basis, revenue requirements consist of O&M costs, Depreciation Expense, and Return on a Rate Base. This basis is usually employed when assessing the revenue needs of a private utility which requires a profit. Generally it is assumed that a private utility deserves a profit for the use of its capital and for the risk that is placed on it. From this standpoint, it appears that a municipality has such a claim for sales to a water district. Water districts are not like other municipal utility customers in that they hold themselves apart through a special contract relationship. Districts are not within the boundary of the municipal service area and may choose to use another supplier, if one is available. If a water district terminates or substantially reduces its water purchases, fixed costs would then fall to the general customer for support. This would likely mean a rate increase for the municipal customer.

Also, districts are not at risk for natural catastrophes to the treatment or storage facilities and not liable for potential contamination of water to the point of service. It therefore appears that a municipal system which supplies water to a water district should also consider rate development from the utility basis. The municipality is the owner of production facilities and holds most of the risk.

To provide a comparison of cost of service developed from a utility basis, Exhibits 8, 9 and 10 are included in this report. Exhibit 8 develops a rate base consisting of water system asset accounts as of 6/30/98, plus improvements in progress, and a provision for working capital. Work in progress is based on new-money funding included in the 1998a bond issue for the purpose of water system improvements. Working capital is stated at six weeks equivalent of out-of-pocket operating expenses. The rate base is allocated among major system components similar to prior exhibits, in an effort to segregate costs related to the water districts.

Using a rate of return of 7.32%, as computed in Exhibit 9, the rate base generates a revenue requirement of \$888,813. With an allocation for the distribution system excluded, this leaves \$727,739 which is allocable to all customers including water districts.

Any other person may examine the rate application described herein at either the offices of the Shelbyville Municipal Water and Sewer Commission or the Public Service Commission, at the addresses and phone numbers stated above.



Gene P. Fouts, P.E.
Manager
Shelbyville Municipal Water and Sewer Commission

Verification of Mailed Notice

The undersigned hereby states that a copy of the Notice of Rate Increase attached hereto was mailed to West Shelby Water District, P.O. Box 26, Simpsonville, Kentucky 40067, on July ³⁰~~29~~, 1999, and this verification is made pursuant to 807 KAR 5:001, Section 10(4)3, e.



Gene P. Fouts, P.E.
Manager
Shelbyville Municipal Water and Sewer Commission

EXHIBIT 9 - RATE OF RETURN

Based on information found in an Order by the PSC (Case No. 97-034) for the Kentucky American Water Company, we have computed a rate of return of 7.32% which may be applied to the Shelbyville Rate Base. The Order for KAWC breaks down the rate of return into rates applied to a) long term debt, b) preferred stock, c) short term debt, and d) equity. These rates are then summarized into an overall cost of capital which is applied to the rate base. For Shelbyville, this report breaks down the rate of return into a) a return on long term debt, and b) a return on equity. The return on long term debt in this report is equal to the average interest rate for the pro forma period (1999 = 5.34%). The return on equity uses the rate provided in the PSC Order for KAWC (11%). As shown by Exhibit 9, the combination of these rates yields a weighted rate of return of 7.32%.

EXHIBIT 10 - COST OF SERVICE - UTILITY BASIS WITH DEDICATED CAPACITY

From prior exhibits, and using the utility basis, revenue requirements for the Shelbyville Municipal Water System are computed to total \$2,258,995 as shown by Exhibit 10. These requirements when broken down and allocated to the various system categories, give an average cost of treatment, transportation and storage of \$2.12 per 1,000 gallons. The average customer cost is \$7.01 per customer per month.

When dedicated capacity for water districts is considered, as in Exhibit 7, cost of service is reduced to \$1.88 for West Shelby County Water District and \$1.69 for North Shelby County Water District. Contracted or dedicated capacity is applied as a percentage to both the Return on Rate Base and Depreciation Expense.

SUMMARY

From this detailed analysis of system costs, it appears that the cost of providing service to the average customer, using the cash basis, is \$2.15 per 1,000 gallons plus \$5.59 per month for customer costs. The cost of treatment, transportation and storage (i.e. costs from the lake to the tanks) are common to all water usage and thereby to all customers including the water districts. Costs which pertain to the distribution system are more dependant upon the number of customers or meters and thereby have little impact on the cost of service for water districts.

Demand factors have not been included in this report since the focus has been toward developing a cost of service for water districts. There appears to be no obvious difference in maximum demand between the water districts and the Shelbyville Water System as a whole.

When contracted capacity by the water districts is viewed as dedicated capacity, their cost of service is reduced to \$1.90 for West Shelby County Water District and \$1.71 for North Shelby County Water District. This concept defuses the possible contention that water districts may have to pay for an expansion of treatment facilities which would not benefit them. Dedicated capacity is also consistent with and justifies Shelbyville's System Development Charge which would likely be assessed if a water district requires additional capacity.

Cost of service for the average customer, when computed from a utility basis, is \$2.12 per 1,000 gallons plus \$7.01 per month. When applied to the water districts and using a contracted or dedicated capacity, their cost of service is \$1.88 for West Shelby County and \$1.69 for North Shelby County. This procedure produced a very similar cost to that determined from the cash basis and thereby lends credibility to cost of service levels shown in this report. There is also merit in the utility basis from the standpoint that it recognizes the value of risk which is born almost entirely by the municipal system. It also underscores the right of a city to require a reasonable transfer of funds (cash basis) from the municipal water system to the city government accounts in recognition of its equity in the system and risks that are assumed.

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
REVENUES:				
General Customer Sales	\$1,856,630	\$1,110,653	\$745,977	Direct
Water District /Sanitation District	506,390	262,987	243,403	Direct
Sewer - Pretreatment Program	27,938		27,938	Direct
Fire Protection	46,600	46,600		Direct
Other Sales	<u>47,553</u>	<u>33,773</u>	<u>13,780</u>	Direct
Total	\$2,485,111	\$1,454,013	\$1,031,098	
 DIRECT OPERATING EXPENSES:				
	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	
Gen. Superv. & Engineering	\$15,032	\$9,534	\$5,498	Direct
Labor - Supply & Pumping	168,440	113,532	54,908	Direct
Laboratory Expense	33,048	24,774	8,274	Direct
Supplies - Plant	121,244	100,311	20,933	Direct
Labor - Structure	10,080	3,055	7,025	Direct
Maint Materials - Structures	5,773	3,715	2,058	Direct
Labor - Plant Equipment	8,158	2,317	5,841	Direct
Maint Materials - Plant Equipment	73,353	56,629	16,724	Direct
Power - Plant	121,383	75,506	45,877	Direct
Labor - Joint Pump Station	8,919		8,919	Direct
Power - Joint Pump Stations	14,440		14,440	Direct
Maint. Materials - Joint Pump Sta	24,343		24,343	Direct
Labor - Mains	30,436	23,604	6,832	Direct
Maint. Materials - Mains	12,451	2,648	9,803	Direct
Labor - Services and Meters	29,409	29,409		Direct
Maint. Materials - Serv. and Meters	4,628	4,628		Direct
Labor - Hydrants	5,319	5,319		Direct
Maint. Materials - Hydrants	1,795	1,795		Direct
Labor - Sewer Manholes	600		600	Direct
Maint. Materials - Sewer Manholes	13		13	Direct
Meter Reading	35,496	35,496		Direct
Holiday, Vac. Sick Leave	49,064	23,944	25,120	Direct
Landfill - Sludge Removal	31,424	3,560	27,864	Direct
Labor - Sludge Disposal	8,896		8,896	Direct
Labor - Flow Monitor	913		913	Direct
Materials - Flow Monitor	1,432		1,432	Direct
Pretreatment - Outside Lab Exp.	7,711		7,711	Direct
Chronic Tox. Test	13,260		13,260	Direct
Pretreat - Sample Labor	1,481		1,481	Direct
Labor - Common Pump Sta	7,261		7,261	Direct
Maint. Materials - Common Pump St	<u>2,847</u>		<u>2,847</u>	Direct
	<u>\$848,649</u>	<u>\$519,776</u>	<u>\$328,873</u>	

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
ADMINISTRATIVE AND GENERAL EXPENSES:				
Holiday, Vac. Sick Leave	\$4,985	3,234	1,751	1
Office Salaries	52,173	35,514	16,659	2
Office Supplies and Expense	28,952	19,708	9,244	2
Uncollectible Revenue	3,382	2,023	1,359	3
Management Salary	99,725	64,698	35,027	1
Legal and Accounting	24,232	15,721	8,511	1
Commission Memeber Fees	3,322	2,155	1,167	1
Insurance	58,916	27,396	31,520	5
Employee Insurance	66,481	43,131	23,350	1
Employee Retirement	84,097	54,559	29,538	1
Misc. General Expense	45,987	22,993	22,994	4
Labor - Safety Training	1,296	841	455	1
Maint - General Properties	26,450	13,225	13,225	4
Maint - Safety Equipment	3,672	1,836	1,836	4
Truck & Equipment	31,263	20,282	10,981	1
Distribution Shop Supplies	785	509	276	1
Cash Short/ Over	28	17	11	3
Management Training Expense	1,844	1,196	648	1
Office Utilities	3,010	1,505	1,505	4
Office Janitorial	4,800	2,400	2,400	4
Office Cleaning Supplies	40	20	20	4
Office Maintenance	1,943	971	972	4
Taxes	<u>46,253</u>	<u>27,669</u>	<u>18,584</u>	3
	<u>593,636</u>	<u>361,603</u>	<u>232,033</u>	
Total Oper. Expenses	\$1,442,285	\$881,379	\$560,906	
OTHER REVENUES & EXPENSES:				
Misc. Income	\$6,568	\$3,929	\$2,639	3
Handling Late Fees	7,951	4,756	3,195	3
Interest Earned	109,721	42,791	66,930	6c
Debt Admin. Fees	(10,069)	(3,927)	(6,142)	6c
Interest - Cust. Deposits	<u>(4,307)</u>	<u>(2,932)</u>	<u>(1,375)</u>	2
Total Other Rev./Exp.	109,864	44,617	65,247	
DEBT SERVICE: - FISCAL YEAR 1998:				
1991 KLC Bonds (Prin & Int.)	\$720,352	\$300,171	\$420,181	6a
1996 KLC Loan (Prin. & Int.)	<u>172,146</u>	<u>\$45,068</u>	<u>\$127,078</u>	6b
Total Prin. & Interest	\$892,498	\$345,239	\$547,259	

EXHIBIT 1
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/98)

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	<u>ALLOCATION BASIS</u>
DEPRECIATION EXPENSE	\$550,622	\$292,337	\$258,285	Exh-4
TRANSFERS TO CITY	123,225	73,713	49,512	3

The purpose of this exhibit is to present a separation of revenues and expenses between the water and sewer systems. This exhibit along with Exhibits 2, 3, and 4 form the basis for test year and pro-forma revenue requirements for the water system as shown in Exhibit 5. Allocation basis refers to the method of allocation and percentages as provided in the following notes. "Direct" indicates that expenses were booked to a particular account and no further allocation of such costs are needed.

NOTES REGARDING BASES FOR ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES:

	<u>TOTAL</u>	<u>WATER</u>	<u>SEWER</u>	
1. Direct Labor	\$379,504	\$246,210	\$133,294	
Percentage		64.88%	35.12%	
2. Number of Customers	8,358	5,689	2,669	
Percentage		68.07%	31.93%	
3. Sales - General Customers	1,856,630	1,110,653	745,977	
Percentage		59.82%	40.18%	
4. Even Split	100.00%	50.00%	50.00%	
5. Insurance:				
a. Workman's Comp.: (7/97-7/98)	\$14,935	\$9,689	\$5,246	1
b. Property Insurance:				
Plant/Tanks/etc.	\$10,328,507	\$3,890,538	\$6,437,969	Direct
Distribution Facilities	335,012	228,043	106,969	2
Office & Admin Bldg	395,424	269,165	126,259	2
Equipment	233,774	159,130	74,644	2
Insured Value	\$11,292,717	\$4,546,876	\$6,745,841	
		40.26%	59.74%	
Premium	\$43,981	\$17,707	\$26,274	
c. Total Ins. Premiums	\$58,916	\$27,396	\$31,520	
6. Debt Service Allocation - Based on Exhibit 3, Before Refinancing		<u>Water</u>	<u>Sewer</u>	
a. 1991 KLC Bonds		41.67%	58.33%	
b. 1996 KLC Loan		26.18%	73.82%	
c. Combined - Before Refinancing		39.00%	61.00%	Page 3 of 3

EXHIBIT 2
SCHEDULE OF DEBT SERVICE
BEFORE AND AFTER REFINANCING OF 1998
SHELBYVILLE WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

Fiscal Year	<u>BEFORE REFINANCING OF 1998</u>			<u>AFTER REFINANCING OF 1998</u>		
	<u>KLC 1991</u>	<u>KLC 1996</u>	<u>Total</u>	<u>Series 1998a</u>	<u>Unrefunded 1991</u>	<u>Total P&I</u>
1998	\$720,352	\$172,146	\$892,498			
1999	723,102	172,212	895,314	\$684,411	\$328,137	\$1,012,548
2000	724,383	172,126	896,509	683,217	329,655	1,012,872
2001	724,152	172,069	896,221	683,993	330,433	1,014,426
2002	727,372	172,124	899,496	684,123	330,450	1,014,573
2003	723,695	172,165	895,860	683,710	329,688	1,013,398
2004	728,382		728,382	682,745	328,125	1,010,870
2005	730,760		730,760	681,085	330,742	1,011,827
2006	730,768		730,768	683,710	332,198	1,015,908
2007	733,345		733,345	680,515	332,460	1,012,975
2008	732,835		732,835	681,715	331,380	1,013,095
2009	734,980		734,980	682,067	334,295	1,016,362
2010	734,445		734,445	681,558	335,870	1,017,428
2011	736,230		736,230	684,998	336,105	1,021,103
2012				1,016,748	0	1,016,748
2013				1,020,997		1,020,997
2014				1,022,115		1,022,115
2015				1,021,172		1,021,172
2016				1,023,170		1,023,170
2017				1,022,850		1,022,850
2018				1,025,212		1,025,212
2019				0		0
	<u>\$9,484,449</u>	<u>\$860,696</u>	<u>\$10,345,145</u>	<u>\$16,030,111</u>	<u>\$4,309,538</u>	<u>\$20,339,649</u>

Note: Issue of 1998a refinanced KLC loan of 1996 and a portion of KLC bond issue of 1991.

EXHIBIT 3
ALLOCATION OF LONG TERM DEBT
WATER AND SEWER UTILITY SYSTEMS
SHELBYVILLE, KENTUCKY

1. Allocation of Refinancing Revenue Bonds - 1991: (Partially Refinanced in 1998a)
 (Outstanding Principal Balance - 1991)

Refinanced Issue	--- Water ---						Total Water
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	
1955	19,400	19,400	19,400	19,400	19,400		97,000
1959			18,000				18,000
1962	68,664		140,598	87,738			297,000
1964						0	0
1966			300,494	120,000	120,000		240,000
1969				307,708			608,202
1974					200,000		200,000
1978						0	0
1983/87			1,820,000				1,820,000
1986			2,280,492	552,846	339,400		2,600,000
1991	88,064	19,400					4,360,000
Percent	1.12%	0.25%	28.97%	7.02%	4.31%		58.33%
Total							100.00%

Notes

	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
1			0	97,000
2			0	18,000
2			0	297,000
2	135,000		135,000	135,000
2			0	240,000
2		36,798	36,798	645,000
2		195,000	195,000	195,000
2			0	200,000
2	1,625,000		1,625,000	1,625,000
2			0	1,820,000
2	2,600,000		2,600,000	2,600,000
2	4,360,000	231,798	4,591,798	7,872,000
	55.39%	2.94%		
			58.33%	

2. Allocation of KLC Loan 1996: - Initial Principal Balance 1996: (Refinanced in 1998)

Year	--- Water ---						Total Water
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	
1996			18,820				18,820
Projects					243,004		243,004
Misc			18,820	0	243,004	0	261,824
Total	0	0	18,820	0	243,004	0	1,000,000
Percent	0.00%	0.00%	1.88%	0.00%	24.30%	0.00%	100.00%

	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
2	683,176		683,176	701,996
2		55,000	55,000	298,004
	683,176	55,000	738,176	1,000,000
	68.32%	5.50%	73.82%	100.00%

EXHIBIT 4

TEST YEAR DEPRECIATION EXPENSE
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

Asset	Fiscal Year 6/30/98	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	Distribution System	General Facilities	Total Water	Sewer	Allocation Basis
Source of supply struct.	\$45,814	45,814						\$45,814	\$0	1
Pumping structures	3,884		3,884					3,884	0	1
Standpipes	17,760				17,760			17,760	0	1
Dam and line	554	415	139					554	0	1
Office Building	10,003					2,204	6,809	6,809	3,194	2
Shop building	3,238						327	2,204	1,034	2
Miscellaneous structures	481							327	154	2
Electric pumping equip	37,079			37,079				37,079	0	1
Purification equip.	51,905			51,905				51,905	0	1
Water distrib. mains	73,192				37,860	35,332		73,192	0	1,3
Services and meters	16,476					16,476		16,476	0	1
Hydrants	3,301					3,301		3,301	0	1
Safety Equipment	1,316						896	896	420	2
Office fixtures & equip.	9,719						6,616	3,103	3,103	2
Transportation Equip	23,196						15,790	7,406	7,406	2
Shop equip.	14,294					9,730		9,730	4,564	2
Total	\$312,212	\$46,229	\$139	\$92,868	\$55,620	\$67,043	\$30,438	\$292,337	\$19,875	
Reallocation of General		\$5,373	\$16	\$10,793	\$6,464	\$7,792	(\$30,438)	\$0	\$0	
		17.65%	0.05%	35.46%	21.24%	25.60%				
Total		\$51,602	\$155	\$103,661	\$62,084	\$74,835		\$292,337		

1. Direct - Identified as water related facility
2. Allocated to water or sewer based on number of customers
3. Allocated between mains/tanks and distribution system based on identification of Assets - Acct No. 123.

EXHIBIT 3
ALLOCATION OF LONG TERM DEBT
WATER AND SEWER UTILITY SYSTEMS
SHELBYVILLE, KENTUCKY

3. Allocation of KLC Bonds 1998a - KLC Loan: (Current Bonds Outstanding)
- Refunded 1996 KLC Loan (Principal Balance - 1998)
 - Partially Defeased 1991 Revenue Bonds (Principal Balance 1998)
 - New money improvements 1998

Issue	--- Water ---						
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water
1991	42,749	9,542	1,105,743	267,943	164,506	0	1,590,483
1996	0	0	14,913	0	192,755	0	207,668
Subtotal	42,749	9,542	1,120,656	267,943	357,261	0	1,798,151
%							39.00%
New Money Totals	42,749	9,542	3,702,726	1,227,189	357,261	0	4,929,915
Percent	0.45%	0.10%	50.56%	15.67%	3.74%	0	70.52%
Prin. & Int.	\$3,080	\$684	\$346,037	\$107,247	\$25,597		\$482,645

4. Balance of 1991 Loan Outstanding - Unrefunded Portion (Current Bonds Outstanding)

Issue	--- Water ---						
	Reservoir	Intake	Treatment Plant	Mains & Tanks	Distribution System	General Facilities	Total Water
1991	31,789	7,096	822,247	199,247	122,329		1,182,708
Percent	1.12%	0.25%	28.97%	7.02%	4.31%		41.67%
Prin. & Int.	\$3,675	\$820	\$95,061	\$23,035	\$14,143		\$136,734

Notes:

1. Original purchase of facilities from Kentucky Utilities.
2. Allocated according to the original value of facilities constructed, based on engineering reports and bond documents
3. Defeased portion of 1991 revenue bonds allocated based on percentage from item 1.
4. The outstanding portion of 1996 KLC loan was refunded in total.
5. New money was included in the 1998 refinancing issue for water system improvements
6. A portion of the 1991 revenue bonds remain outstanding.

Notes	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
3	2,114,156	112,216	2,226,372	3,816,855
4	541,935	43,628	585,563	793,230
	2,656,091	155,844	2,811,935	4,610,085
			61.00%	
5	2,656,091	155,844	2,811,935	4,929,915
	27.84%	1.63%	29.47%	29.48%
	\$190,541	\$11,156	201,697	684,342

Notes	--- Sewer ---			Total Water & Sewer
	Plant	Collection Lines	Total Sewer	
6	1,572,118	83,445	1,655,563	2,838,270
	55.39%	2.94%	58.33%	100.00%
	\$181,756	\$9,647	\$191,403	\$328,137

EXHIBIT 5

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

	Test Year <u>6/30/98</u>	<u>Adjustment</u>	Pro-Forma <u>Total</u>	<u>Notes</u>
OPERATING EXPENSES - WATER:				
Gen. Superv. & Engineering	\$9,534	\$706	\$10,240	A2a.
Supply and Pumping Labor	113,532	8,413	121,945	A2a.
Laboratory Expense	24,774		24,774	
Supplies - Water Plant	100,311		100,311	
Labor - Water Structure	3,055	226	3,281	A2a.
Maint Materials - Water Structures	3,715		3,715	
Labor - Equipment	2,317	172	2,489	A2a.
Maint Materials - Equipment	56,629		56,629	
Power - Water Plant	75,506		75,506	
Labor - Distribution Mains	23,604	1,152	24,756	A2b.
Maint. Materials - Dist. Mains	2,648		2,648	
Labor - Services and Meters	29,409	1,435	30,844	A2b.
Maint. Materials - Serv. and Meters	4,628		4,628	
Labor - Hydrants	5,319	260	5,579	A2b.
Maint. Materials - Hydrants	1,795		1,795	
Meter Reading	35,496	1,732	37,228	A2b.
Holiday, Vac. Sick Leave	23,944	1,434	25,378	A2c.
Landfill - Sludge Removal	<u>3,560</u>		<u>3,560</u>	
Total	\$519,776	15,530	\$535,306	
 ADMINISTRATIVE AND GENERAL:				
Holiday, Vac. Sick Leave	\$3,234	\$234	3,468	A2d.
Office Salaries	35,514	2,571	38,085	A2d.
Office Supplies and Expense	19,708		19,708	
Uncollectible Revenue	2,023		2,023	
Management Salary	64,698	4,684	69,382	A2d.
Legal and Accounting	15,721		15,721	
Commission Memeber Fees	2,155		2,155	
Insurance	27,396	1,273	28,669	B+C
Employee Insurance	43,131	4,358	47,489	D
Employee Retirement	54,559	3,486	58,045	A2e.
Misc. General Expense	22,993		22,993	
Labor - Safety Training	841		841	
Maint - Genreal Properties	13,225		13,225	
Maint - Safety Equipment	1,836		1,836	
Truck & Equipment	20,282		20,282	

EXHIBIT 5 - Continued

**TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY**

NOTES FOR TEST YEAR ADJUSTMENTS:

A. Adjustments to Payroll

(Salary and wage adjustments are effective for a Calendar Year)

1. Result of Adjustment 1/01/98:	Actual	Actual		
(Calendar Year)	1997	1998	Percent	
a. Water Plant Payroll	\$142,481	\$155,836	9.37%	
b. Distribution/Collection Payroll*	<u>188,878</u>	<u>190,476</u>	0.85%	
c. Total	\$331,359	\$346,312	4.51%	
d. Office Staff - Supervision *	\$154,879	\$164,250	6.05%	
e. Overall Total	\$486,238	\$510,562	5.00%	
				Two Year
				Average
2. Projected Result of Adj.	Actual	Estimated		
1/01/99 (Calendar Year)	1998	1999	Percent	1997 & 98
a. Water Plant Payroll	\$155,836	\$164,572	5.61%	7.41%
b. Distribution/Collection Payroll *	<u>190,476</u>	<u>207,387</u>	8.88%	4.88%
c. Total	\$346,312	\$371,959	7.41%	5.99%
d. Office Staff - Supervision *	<u>164,250</u>	<u>177,997</u>	8.37%	7.24%
e. Overall Total	\$510,562	\$549,956	7.72%	6.39%

* Applicable to Water and Sewer

B. Total Premium - Workmans Comp.

	Premium	-- Allocated --		Allocation
		Water	Sewer	Basis
Actual 1997/98	\$14,935	\$9,689	5246	Exh. 1 - #1
Actual 1998/99	<u>\$15,833</u>	<u>\$10,272</u>	<u>5561</u>	Exh. 1 - #1
Net Adj.	\$898	<u>\$583</u>	\$315	

C. Property & Liability Insurance

	Premium	-- Allocated --		Allocation
		Water	Sewer	Basis
Period 7/1/98 - 6/30/9	\$32,698			
Period 7/1/97 - 6/30/9	<u>33,761</u>			
Difference	\$1,063	<u>\$690</u>	\$373	Exh. 1 - #1

EXHIBIT 5

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

	Test Year <u>6/30/98</u>	<u>Adjustment</u>	Pro-Forma <u>Total</u>	<u>Notes</u>
Distribution Shop Supplies	509		509	
Cash Short/ Over	17		17	
Management Training Expense	1,196		1,196	
Office Utilities	1,505		1,505	
Office Janitorial	2,400		2,400	
Office Cleaning Supplies	20		20	
Office Maintenance	971		971	
Taxes	<u>27,669</u>		<u>27,669</u>	
Total Admin.	\$361,603		\$378,209	
 Total Operating Costs	 \$881,379	 \$32,136	 \$913,515	
 DEBT SERVICE - WATER:				
1991 Revenue Bonds (partially refunded - 1998)	\$300,171	(\$163,437)	\$136,734	E
1996 KLC Bonds (fully refinanced/refunded 1998)	45,068	(45,068)	0	E
1998a KLC Refunding Bonds		<u>482,645</u>	<u>482,645</u>	E
Total	345,239	274,140	619,379	
Coverage @ 20%	<u>69,048</u>	<u>54,828</u>	<u>123,876</u>	
Total Debt Service and Coverage	<u>\$414,287</u>	<u>\$328,968</u>	<u>\$743,255</u>	
 DEPRECIATION EXPENSE	 \$292,337	 \$164,330	 \$456,667	 F
 TRANSFERS TO CITY	 \$73,713	 0	 \$73,713	
 TOTAL REVENUE REQUIREMENTS	 \$1,661,716	 \$525,434	 \$2,187,150	

EXHIBIT 5 - Continued

TEST YEAR REVENUE REQUIREMENTS AND ADJUSTMENTS
SHELBYVILLE MUNICIPAL WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY

NOTES FOR TEST YEAR ADJUSTMENTS:

D. Employee Insurance:

Health Insurance :

Period	Avg. No. Employees	Premium 6/30/98	After 6/30/98	Total Premium
Single (Per Month)	10.33	\$164.14	\$186.21	
Family (Per Month)	7.58	427.58	497.20	
Average Monthly Premium		\$4,937	\$5,692	
Annual Premium		\$59,244	\$68,304	\$9,060
Portion Pd By Comm. *				\$6,040
Water Portion (Exhibit 1- Note 1)				\$3,919

* Commission pays 2/3, employee pays 1/3

Dental Insurance:

Coverage/Premium	Avg. No. Employees	Prem. to 12/31/97	Prem. to 06/30/98	Test Year Total	Effective 01/01/99
Single (Per Month)	7	\$17.17	\$19.78		\$21.00
Two Party (Per Month)	3.75	33.03	38.05		40.38
Family (Per Month)	6.42	51.54	59.39		63.04
Average Monthly Premium		\$575.00	\$662.00		\$703.00
Total for Period		\$3,450	\$3,972	\$7,422	\$8,436
Premium Increase					\$1,014
Portion Pd By Comm**					\$676
Water Portion (Exhibit 1- Note 1)					\$439

E. The 1998a KLC refunding revenue bonds refinanced the 1996 KLC loan, partially refinanced 1991 revenue bonds, and provided funds for water system improvements. The pro forma adjustment uses the first full fiscal year for the refinancing issue (1998/99) to fully state annual principal and interest payment obligations.

F. Depreciation expense was adjusted for improvements initiated in 1998. These improvements consist of a water plant expansion, water main, and elevated storage tank. Funding for this project totaled \$4,929,915. This amount amortized over 30 years gives an annual depreciation expense of \$164,330 .

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

OPERATING COSTS - WATER:

DIRECT EXPENSES:

	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>	<u>Allocation Basis</u>
Gen. Superv. & Engineering	10,240.0	0	0	5,584	1,284	3,372	1
Supply and Pumping Labor	121,945.0	0	0	121,945	0	0	Direct
Laboratory Expense	24,774.0	0	0	24,774	0	0	Direct
Supplies - Water Plant	100,311.0	0	0	100,311	0	0	Direct
Labor - Water Structure	3,281.0	0	0	0	3,281	0	Direct
Maint Materials - Water Structures	3,715.0	0	0	0	3,715	0	Direct
Labor - Equipment	2,489.0	0	0	2,489	0	0	Direct
Maint Materials - Equipment	56,629.0	0	0	56,629	0	0	Direct
Power - Water Plant	75,506.0	0	0	75,506	0	0	Direct
Labor - Distribution Mains	24,756.0	0	0	0	24,756	0	Direct
Maint. Materials - Dist. Mains	2,648.0	0	0	0	2,648	0	Direct
Labor - Services and Meters	30,844.0	0	0	0	0	30,844	Direct
Maint. Materials - Serv. and Meters	4,628.0	0	0	0	0	4,628	Direct
Labor - Hydrants	5,579.0	0	0	0	0	5,579	Direct
Maint. Materials - Hydrants	1,795.0	0	0	0	0	1,795	Direct
Meter Reading	37,228.0	0	0	0	0	37,228	Direct
Holiday, Vac. Sick Leave	25,378.0	0	0	13,839	0	0	Direct
Landfill - Sludge Removal	3,560.0	0	0	3,560	0	0	1
Totals	535,306.0	\$0	\$0	\$404,637	\$38,866	\$91,803	Direct

ADMINISTRATIVE AND GENERAL:

Holiday, Vac. Sick Leave	3,468.0	0	0	1,820	418	1,230	4
Office Salaries	38,085.0	0	0	15,363	3,533	19,189	3
Office Supplies and Expense	19,708.0	0	0	7,950	1,829	9,929	3
Uncollectible Revenue	2,023.0	0	0	1,313	195	515	5

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Pro Forma	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	Distribution System	Allocation Basis
<u>OPERATING COSTS - WATER:</u>							
Management Salaries	69,382.0	0	0	36,405	8,367	24,610	4
Legal and Accounting	15,721.0	0	0	6,342	1,459	7,920	3
Commission Memeber Fees	2,155.0	0	0	1,131	260	764	4
Insurance	28,669.0	0	0	14,476	9,224	4,969	2
Employee Insurance	47,489.0	0	0	24,918	5,727	16,844	4
Employee Retirement	58,045.0	0	0	30,456	7,000	20,589	4
Misc. General Expense	22,993.0	0	0	12,064	2,773	8,156	4
Labor - Safety Training	841.0	0	0	459	105	277	1
Maint - General Properties	13,225.0	0	0	6,939	1,595	4,691	4
Maint - Safety Equipment	1,836.0	0	0	1,001	230	605	1
Truck & Equipment	20,282.0	0	0	10,642	2,446	7,194	4
Distribution Shop Supplies	509.0	0	0	0	0	509	Direct
Cash Short/Over	17.0	0	0	11	2	4	5
Management Training Expense	1,196.0	0	0	628	144	424	4
Office Utilities	1,505.0	0	0	607	140	758	3
Office Janitorial	2,400.0	0	0	968	223	1,209	3
Office Cleaning Supplies	20.0	0	0	8	2	10	3
Office Maintenance	971.0	0	0	392	90	489	3
Taxes	27,669.0	0	0	14,518	3,337	9,814	4
	<u>\$378,209</u>	<u>\$0</u>	<u>\$0</u>	<u>\$188,411</u>	<u>\$49,099</u>	<u>\$140,699</u>	
Total Operating Costs	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502	

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>	<u>Allocation Basis</u>
<u>OPERATING COSTS - WATER:</u>							
<u>DEBT SERVICE - WATER</u>							
1991 Revenue Bonds	136,734	3,675	820	95,061	23,035	14,143	
1998a KLC Refunding Bonds	482,645	3,080	684	346,037	107,247	25,597	
	619,379	6,755	1,504	441,098	130,282	39,740	
	123,876	1,351	301	88,220	26,056	7,948	
Coverage @ 20%	\$743,255	8,106	1,805	529,318	156,338	47,688	
Total							
<u>DEPRECIATION EXPENSE</u>							
Current Facilities	\$292,337	51,602	155	103,661	62,084	74,835	Exh - 4
Improvements	164,330			123,424	40,906		6
Total	\$456,667	51,602	155	227,085	102,990	74,835	
<u>TRANSFERS TO CITY</u>	\$73,713	0	0	47,854	7,099	18,760	5
<u>TOTAL REVENUE REQUIREMENTS</u>	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785	

MAINS AND TANKS - This category refers to distribution mains and tanks which serve all customers including Water Districts.

DISTRIBUTION SYSTEM - This category consist of all lines, meters, hydrants and related facilities which are needed to provide water service to Shelbyville's general customers but not Water Districts.

ALLOCATION BASIS NOTES: (The following notes explain allocation bases used in the forgoing exhibit.)

- Summary of direct labor accounts.
 (This is a summary of all labor accounts shown

EXHIBIT 8

RATE BASE AND RATE OF RETURN
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	System Values 6/30/98	Accumul. Deprecia. 6/30/98	Net Values At 6/30/98	Reservoir	Intake	Treatment Plant	Mains & Distribution Tanks	Distribution System	General Facilities	Total Water	Sewer (2)
Water Plant:											
Source of supply struct.	\$2,005,463	\$675,234	\$1,330,229	1,330,229						\$1,330,229	\$0
Pumping structures	204,208	51,107	153,101			153,101				153,101	0
Standpipes	1,050,068	417,010	633,058				633,058			633,058	0
Dam and line	41,356	19,500	21,856	16,392	5,464					21,856	0
Office Building	319,379	77,238	242,141					24,921	164,825	164,825	77,316
Shop building	105,243	80,322	24,921						7,972	24,921	0
Miscellaneous structures	27,971	16,259	11,712							7,972	3,740
Electric pumping equip	1,355,860	663,608	692,252			692,252				692,252	0
Purification equip.	1,662,900	570,418	1,092,482			1,092,482				1,092,482	0
Water distrib. mains	3,679,167	1,401,462	2,277,705				1,109,328	1,168,377		2,277,705	0
Services and meters	1,022,286	280,595	741,691					741,691		741,691	0
Hydrants	167,438	66,145	101,293					101,293		101,293	0
Safety Equipment	20,498	14,191	6,307						4,293	4,293	2,014
Office fixtures & equip.	132,321	103,654	28,667						19,514	19,514	9,153
Transportation Equip	293,441	214,722	78,719						53,584	53,584	25,135
Shop equip.	296,731	231,828	64,903					64,903		64,903	0
Totals	\$12,384,330	\$4,883,293	\$7,501,037	\$1,346,621	\$5,464	\$1,937,835	\$1,742,386	\$2,101,185	\$250,189	\$7,383,680	\$117,357
Reallocation of General Facilities					\$192	\$67,965	\$61,110	\$73,694	(\$250,190)	\$0	
			\$47,229		0.08%	27.17%	24.43%	29.46%			
Adjusted Totals			1,393,850		5,656	2,005,800	1,803,496	2,174,879		\$7,383,681	
Work In Progress	\$4,660,000	\$0	\$4,660,000			\$3,500,000	\$1,160,000			\$4,660,000	
Add:											
Cash Working Capital (Note 1)			\$105,406		0	98,429	10,151	26,926		\$105,406	
Total Rate Base				\$1,393,850	\$5,656	\$5,574,229	\$2,973,647	\$2,201,705		\$12,149,087	
Rate of Return on Rate Base - Exhibit 9											
Amount Generated by Rate of Return				\$101,972	\$414	\$407,805	\$217,548	\$161,074		\$888,813	

1. Six weeks equivalent, out-of-pocket, operating expenses, allocated on basis of overall distribution of operating costs. Refer to Exhibit 6, Note 7 for distribution percentages. (\$913,515/52*6) = \$105,406

2. Allocated between water and sewer system on basis of number of customers - Exhibit 1 - Note 2.

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>	<u>Allocation Basis</u>
OPERATING COSTS - WATER:							
above which did not require allocation.)	100.00%	0.00%	0.00%	54.53%	12.54%	32.93%	
2. Distribution of Insurance:							
a. Workmans Comp - Allocated according to percentages shown by note number 5.	\$10,272	0	0	5,390	1,239	3,643	4
b. Property Insurance - Allocated by insured value.							
Plant/Tanks, etc	\$3,890,538			\$2,048,520	\$1,842,018		
Distribution	228,043			64,193	14,767	228,043	
Office ?	159,130			\$2,112,713	\$1,856,785	80,170	3
Total Value	\$4,277,711	\$0	\$0	49.39%	43.41%	\$308,213	
Percentatge		0.00%	0.00%			7.21%	
Allocation of Property Prem.	\$18,397	0	0	9,086	7,985	1,326	
Total Insurance Account Allocation	\$28,669	\$0	\$0	\$14,476	\$9,224	\$4,969	
3. Distribution of Office Labor and Supplies							
Cashier (\$7.00/hr.*2080 * 68.07%)	\$9,911					\$9,911	Exh 1 - #2
Bookkeeping (Bal. of Total)	28,174			15,363	3,533	9,278	1
Total	\$38,085	\$0	\$0	\$15,363	\$3,533	\$19,189	
Percent	100%	0.00%	0.00%	40.34%	9.28%	50.38%	
4. Overall Labor Distribution - Excluding Management:							
Direct Labor	\$223,633	\$0	\$0	\$121,945	\$28,037	\$73,651	
Office	38,085	0	0	15,363	3,533	19,189	
	\$261,718	0	0	137,308	31,570	92,840	

EXHIBIT 6

BREAKDOWN OF REVENUE REQUIREMENTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

OPERATING COSTS - WATER:

5. Overall Expenses Distribution
 Operating Expenses

	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>	<u>Allocation Basis</u>
	100.00%	0.00%	0.00%	52.47%	12.06%	35.47%	
	\$913,515	0	0	593,048	87,965	232,502	
		0.00%	0.00%	64.92%	9.63%	25.45%	

6. Depreciation Expense - Improvements
 Funding For Improvements
 Thirty Yr Amortization

	\$3,702,726	\$1,227,189
	\$123,424	\$40,906

Exh - 4

EXHIBIT 7

COST OF SERVICE - CASH BASIS WITH DEDICATED CAPACITY
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	Total			Treatment	Mains & Distribution	
<u>Revenue Requirements:</u>	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Plant</u>	<u>Tanks</u>	<u>System</u>
a. Operating Costs	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
b. Transfers	73,713	\$0	\$0	\$47,854	\$7,099	\$18,760
c. Debt Service	743,255	\$8,106	\$1,805	\$529,318	\$156,338	\$47,688
d. Depreciation Expense	456,667	\$51,602	\$155	\$227,085	\$102,990	\$74,835
Total	\$2,187,150	\$59,708	\$1,960	\$1,397,305	\$354,392	\$373,785

Annual Metered Wtr. Cons.(1,000 Gals) 843,871

Total Number of Customers - Avg/Mo. 5,570

Average System Costs:

Cost Per 1000 Gallons \$2.15 \$0.07 \$0.00 \$1.66 \$0.42

Average "Customer Cost" Per Mo. \$5.59

Cost to Wholesale Customers:

1. West Shelby County Water District:

		Total			Treatment	Mains & Distribution	
	<u>Dist. Portio</u>	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Plant</u>	<u>Tanks</u>	<u>System</u>
a. Operating Costs	(13.65%)	\$92,958	\$0	\$0	\$80,951	\$12,007	\$0
b. Transfers	(11.11%)	6,106	0	0	5,317	789	0
c. Debt Service:	(11.11%)	77,286	901	201	58,813	17,371	0
d. Depreciation Expense	(11.11%)	42,426	5,734	17	25,232	11,443	0
Total		\$218,776	\$6,635	\$218	\$170,313	\$41,610	\$0

c. Cost Per 1000 Gals. \$1.90 0.06 0.00 1.48 0.36 0.00
 (Based on 115,179 M Gals/Yr.)

2. North Shelby County Water District:

		Total			Treatment	Mains & Distribution	
	<u>Dist. Portio</u>	<u>Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Plant</u>	<u>Tanks</u>	<u>System</u>
a. Operating Costs	(12.96%)	\$88,259	\$0	\$0	\$76,859	\$11,400	\$0
b. Transfers	(8.68%)	4,770	0	0	4,154	616	0
c. Debt Service:	(8.68%)	60,380	704	157	45,948	13,571	0
d. Depreciation Expense	(8.68%)	33,144	4,479	13	19,712	8,940	0
Total		\$186,553	\$5,183	\$170	\$146,673	\$34,527	\$0

c. Cost Per 1000 Gals. \$1.71 0.05 0.00 1.34 0.32 0.00
 (Based on 109,367 M Gals/Yr.)

Notes:

1. Consumption by District	<u>Annual Consumption</u>		<u>Contracted Capacity</u>	
	<u>1000 Gals.</u>	<u>Percent</u>	<u>MG/ Mo.</u>	<u>Percent</u>
West Shelby Co. Wtr. Dist. Cons.	115,179	13.65%	16	11.11%
North Shelby Co. Wtr. Dist. Cons.	109,367	12.96%	12.5	8.68%
Total System Consumption/Capacity	843,871	100.00%	144	100.00%

Total plant capacity is 6 MGD but must be expanded at 80% use of capacity.
 Therefore usable capacity = 4.8 MGD (based on annual average daily usage)

EXHIBIT 9
RETURN ON RATE BASE
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

Return on Long Term Debt:

Long Term Debt (Water System)	\$7,910,774	
Interest Expense - FY 1998/99		\$422,598
Rate of Return /Interest Rate		5.34%

Return on Equity:

Rate Base less Long Term Debt	<u>\$4,238,313</u>	
Return on Equity (Computed)		<u>\$466,214</u>
Rate of Return on Equity (Case No. 97034)		11.00%

Retrun on Rate Base:

Rate Base	\$12,149,087	
Return		\$888,812
Weighted Rate of Return		7.32%

EXHIBIT 10

COST OF SERVICE - UTILITY BASIS WITH DEDICATED CAPACITY
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

	<u>Total</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
Operations and Maintenance	\$913,515	\$0	\$0	\$593,048	\$87,965	\$232,502
Return on Rate Base	\$888,813	101,972	414	407,805	217,548	161,074
Depreciation Expense	\$456,667	51,602	155	227,085	102,990	74,835
	\$2,258,995	\$153,574	\$569	\$1,227,938	\$408,503	\$468,411

Annual Metered Wtr Cons(1,000 Gals) 843,871

Total Number of Customers - Avg/Mo. 5,570

Average System Costs:

Cost Per 1000 Gallons	\$2.12	\$0.18	\$0.00	\$1.46	\$0.48
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Average "Customer Cost" Per Mo.

\$7.01

Cost to Wholesale Customers:

1. West Shelby County Water District:

	<u>Water Dist. Portion</u>	<u>Total Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
a. Operating Costs	(13.65%)	\$92,958	\$0	\$0	\$80,951	\$12,007	\$0
b. Return on Rate Base	(11.11%)	\$80,860	11,330	46	45,312	24,172	0
c. Depreciation	(11.11%)	\$42,426	\$5,734	\$17	\$25,232	\$11,443	0
Total		\$216,244	\$17,064	\$63	\$151,495	\$47,622	\$0

c. Cost Per 1000 Gals. (Based on 115,179 M Gals/Yr.)	\$1.88	0.15	0.00	1.32	0.41	0.00
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2. North Shelby County Water District:

	<u>Water Dist. Portion</u>	<u>Total Pro Forma</u>	<u>Reservoir</u>	<u>Intake</u>	<u>Treatment Plant</u>	<u>Mains & Tanks</u>	<u>Distribution System</u>
a. Operating Costs	(12.96%)	\$88,259	\$0	\$0	\$76,859	\$11,400	\$0
b. Return on Rate Base	(8.68%)	\$63,172	8,852	36	35,400	18,884	0
c. Depreciation	(8.68%)	\$33,144	4,479	13	19,712	8,940	0
Total		\$184,575	\$13,331	\$49	\$131,971	\$39,224	\$0

c. Cost Per 1000 Gals. (Based on 109,367 M Gals/Yr.)	\$1.69	0.12	0.00	1.21	0.36	0.00
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Notes:

	<u>Annual Consumption</u>		<u>Contracted Capacity</u>	
1. District Usage/ Contracted Capacity	<u>1000 Gals.</u>	<u>Percent</u>	<u>MG/ Mo.</u>	<u>Percent</u>
West Shelby Co. Wtr. Dist. Cons.	115,179	13.65%	16	11.11%
North Shelby Co. Wtr. Dist. Cons.	109,367	12.96%	12.5	8.68%
Total System	843,871	100.00%	144	100.00%

Total plant capacity is 6 MGD but must be expanded at 80% use of capacity.
 Therefore usable capacity = 4.8 MGD (based on annual average daily usage)

AUDIT REPORT
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

AS OF
JUNE 30, 1998

J Sutherland, psc

CERTIFIED PUBLIC ACCOUNTANT
SHELBYVILLE, KENTUCKY 40065

APPENDIX D

Shelbyville Municipal Water & Sewer Com
C H A R T O F A C C O U N T S

T C ACT-BR-DE

Asset Accounts

1	101-00-00	Source of supply land
1	103-00-00	Power and pumping land
1	105-00-00	Water rights
1	107-00-00	Source of supply structur
1	109-00-00	Pumping structures
1	111-00-00	Standpipes
1	113-00-00	Dam and line
1	114-00-00	Office building
1	115-00-00	Shop building
1	117-00-00	Miscellaneous structures
1	119-00-00	Electric pumping equip
1	121-00-00	Purification equipment
1	123-00-00	Water distrib mains
1	125-00-00	Services and meters
1	127-00-00	Hydrants
1	128-00-00	Safety equipment
1	129-00-00	Office fixtures & equip
1	131-00-00	Transportation equip
1	133-00-00	Shop equipment
1	135-00-00	Construct in pgress-water
1	152-00-00	Sewer plant land
1	154-00-00	Sewer plant building
1	156-00-00	Sewer distribution main
1	158-00-00	Sewer manholes
1	160-00-00	Sewer plant equipment
1	162-00-00	Sewer plant-office equip
1	164-00-00	Construct in progrs-sewer
1	202-00-00	Cash-bond int & redem
1	204-00-00	Cash depreciation fund
1	205-00-00	Cash-WTP construct acct
1	206-00-00	Invest-special const fund
1	207-00-00	Invest-C W Stout ret fund
1	208-00-00	Invest-Cit F Sh water acq
1	209-00-00	Cash-special construction
1	210-00-00	Cash-Waste Water Plant Ex
1	215-00-00	Cash-surplus fund
1	219-00-00	Inv-Central Bk debt serv
1	220-00-00	Invest-bond int & redem
1	221-00-00	Inv-Chase debt service
1	222-00-00	Inv-Central Bk admin exp
1	224-00-00	Inv-Central Bk project ac
1	225-00-00	Cash-facilities expansion
1	301-00-00	Petty cash
1	303-00-00	Cash-special refund acct
1	305-00-00	Cash revenue account
1	307-00-00	Cash-operation & maint
1	330-00-00	Invest-operation & maint
1	350-00-00	Accounts receivable
1	351-00-00	Due from others
1	353-00-00	Returned checks
1	360-00-00	Materials & supplies
1	370-00-00	Prepaid insurance

Shelbyville Municipal Water & Sewer Com
C H A R T O F A C C O U N T S

T C ACT-BR-DE

Asset Accounts

1 378-00-00 Unamortized watershed exp
1 380-00-00 Unamort-debt disc & exp

Liability Accounts

2 394-00-00 N\P-Ky League of Cities
2 395-00-00 Revenue bonds outstanding
2 400-00-00 N\P-Ky League of Cities
2 401-00-00 Accts pay-Sanitation Dist
2 402-00-00 Accounts payable
2 403-00-00 Accts pay-construction
2 404-00-00 Social security withheld
2 405-00-00 Fed income tax withheld
2 406-00-00 Ky income tax withheld
2 407-00-00 Employee insurance w\h
2 408-00-00 Employee retirement w\h
2 409-00-00 City\Co. income tax w\h
2 420-00-00 Sales tax payable
2 421-00-00 Utility tax payable
2 425-00-00 Accrued fiduciary fee
2 430-00-00 Accrued interest-bonds
2 432-00-00 Accrued payroll
2 435-00-00 Accrued int-customer dep
2 440-00-00 Matured long-term debt
2 442-00-00 Matured interest
2 444-00-00 Due Ken Improvements Inc
2 445-00-00 Customer deposits
2 446-00-00 Due Bualto, Inc
2 470-00-00 Accum deprec-water plant
2 472-00-00 Accum deprec-sewer plant

Equity Accounts

3 502-00-00 Contrib in aid of const
3 504-00-00 Municipal contribution
3 506-00-00 Federal grants
3 510-00-00 Water tap-on fees
3 512-00-00 Wastewater tap-on fees
3 580-00-00 Retained earnings
3 585-00-00 Current profit (loss)

Revenue Accounts

4 602-00-00 Water-industrial
4 604-00-00 Water-residential
4 606-00-00 Water-commercial
4 608-00-00 Water-W Shelby Water Dis
4 610-00-00 Water-N Shelby Water Dis
4 612-00-00 Private fire protection
4 616-00-00 Public fire protection
4 618-00-00 Other water sales
4 650-00-00 Sewer-industrial

Shelbyville Municipal Water & Sewer Com
C H A R T O F A C C O U N T S

T C ACT-BR-DE

Revenue Accounts

4	652-00-00	Sewer-residential
4	654-00-00	Sewer-commercial
4	660-00-00	Sewer-pretreatmt program
4	670-00-00	Other sewer sales
4	675-00-00	Sanitation District #1
4	676-00-00	Sanitation District-O & M
4	677-00-00	Sanit District-Inspection
4	882-00-00	Miscellaneous income
4	883-00-00	Handling late fee
4	884-00-00	Interest earned

Expense Accounts

5	701-00-00	Gen supervn & engineering
5	702-00-00	Supply and pumping labor
5	703-00-00	Laboratory expense
5	704-00-00	Supplies-water plant
5	705-00-00	Watershed-SCS
5	706-00-00	Labor-water structures
5	707-00-00	Maint matls-water struct
5	708-00-00	Labor-equipment
5	709-00-00	Maint matls-equipment
5	710-00-00	Power-water plant
5	712-00-00	Labor-distribution mains
5	713-00-00	Maint matls-dist mains
5	714-00-00	Labor-services & meters
5	715-00-00	Maint matls-serv & meters
5	716-00-00	Labor-hydrants
5	717-00-00	Maint matls-hydrants
5	718-00-00	Meter reading
5	720-00-00	Holiday, vacn, sick labor
5	721-00-00	Landfill-sludge removal
5	730-00-00	Holiday, vacn, sick labor
5	750-00-00	Gen engineering-sewer
5	751-00-00	Gen lab expense
5	752-00-00	Sewer plant labor
5	754-00-00	Supplies-sewer plant
5	755-00-00	Maint matls-sewer struct
5	756-00-00	Labor-sewer structures
5	757-00-00	Maint matls-sew plant eq
5	758-00-00	Labor-sewer plant equip
5	759-00-00	Labor-comm pump station
5	760-00-00	Power-sewer plant
5	761-00-00	Power-joint pump stations
5	762-00-00	Labor-distribution mains
5	763-00-00	Maint matls-sewer mains
5	764-00-00	Labor-sewer manholes
5	765-00-00	Maint matls-sewer manhole
5	766-00-00	Pretreatmt-outsld lab exp
5	767-00-00	Chronic tox test
5	768-00-00	Pretreat-sampl labor eq
5	769-00-00	Maint matls-comm pump sta

Shelbyville Municipal Water & Sewer Com
C H A R T O F A C C O U N T S

T C ACT-BR-DE

Expense Accounts

5	770-00-00	Labor-joint pump station
5	771-00-00	Maint matls-joint pump st
5	773-00-00	Labor-sludge disposal
5	774-00-00	Landfill-sludge removal
5	780-00-00	Holiday,vact,sick labor
5	788-00-00	Labor-flow monitor
5	789-00-00	Materials-flow monitor
5	792-00-00	Labor-SD#1 pump station
5	793-00-00	Materials-SD#1 pump sta
5	796-00-00	Labor-SD#1 mains
5	797-00-00	Materials-SD#1 mains
5	799-00-00	Power-SD#1 pump station
5	800-00-00	Inspection materials
5	802-00-00	Office salaries
5	804-00-00	Office supplies & expense
5	806-00-00	Uncollectible revenue
5	808-00-00	Management salary
5	810-00-00	Legal and accounting
5	812-00-00	Commission member fees
5	814-00-00	Insurance
5	816-00-00	Employee insurance
5	817-00-00	Employee retirement
5	818-00-00	Misc general expense
5	819-00-00	Labor-safety training
5	820-00-00	Maint-general properties
5	821-00-00	Maint-safety equipment
5	822-00-00	Truck & equipment
5	823-00-00	Distribution shop supplie
5	824-00-00	Cash short over
5	825-00-00	Management training expen
5	826-00-00	Rent
5	828-00-00	Office utilities
5	830-00-00	Office janitorial
5	832-00-00	Office cleaning supplies
5	834-00-00	Office maintenance
5	852-00-00	Depreciation-water plant
5	854-00-00	Depreciation-sewer plant
5	855-00-00	Depreciation-office bldg
5	860-00-00	Taxes
5	900-00-00	Interest-interim l\t debt
5	902-00-00	Interest-long-term debt
5	904-00-00	Amort debt disc & expense
5	910-00-00	Fiscal agent fee
5	912-00-00	Debt administration fees
5	915-00-00	Interest-cust deposits

AUDIT REPORT
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

AS OF
JUNE 30, 1998

J Sutherland, psc

CERTIFIED PUBLIC ACCOUNTANT
1020 WASHINGTON STREET
SHELBYVILLE, KENTUCKY 40065

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ASSOCIATES
REBA C. KELLEY, CPA
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October 15, 1998

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
Shelbyville Municipal Water and Sewer Commission
Shelbyville, Kentucky

We have audited the accompanying balance sheet of the Shelbyville Municipal Water and Sewer Commission, a component unit of the City of Shelbyville, as of June 30, 1998, and the related statements of revenue, expenses and changes in retained earnings-actual compared to budget, statement of operating revenue-actual compared to budget, statement of operating expenses-actual compared to budget, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelbyville Municipal Water and Sewer Commission as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



J. Sutherland, Jr.
psc

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BALANCE SHEET
JUNE 30, 1998

ASSETS

CURRENT ASSETS

Operating cash	\$173,864
Temporary cash investments	25,090
Accounts receivable	227,524
Due from others	40,819
Materials inventory	74,627
Prepayments	<u>1,187</u>

Total current assets \$543,111

RESTRICTED FUNDS AND INVESTMENTS

Debt service fund	\$105,241
Debt service reserve fund	1,038,313
Depreciation fund	163,989
Special construction fund	5,295,920
Surplus fund	96,082
Administrative expense fund	<u>86,029</u>

Total restricted funds and investments 6,785,574

UTILITY PLANT

Water plant in service	\$11,259,218
Sewer plant in service	12,122,970
Administrative and general	1,182,850
Water rights	165,652
Construction work in progress	<u>1,026,955</u>

Total	25,757,645
less accumulated depreciation	<u>7,535,998</u>

Total utility plant 18,221,647

DEFERRED CHARGES

Unamortized debt issue expense	<u>562,772</u>
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TOTAL ASSETS \$26,113,104

See Accompanying Notes and Auditor's Report

BALANCE SHEET (continued)
JUNE 30, 1998

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts payable	\$64,975
Customer deposits	80,191
Accrued and withheld expenses	20,312
Accrued interest-customer deposits	38,704
Payable from restricted assets	
Fixed rate lease obligation	360,000
Accounts payable-debt issuance	48,000
Accounts payable-construction	313,842
Accrued interest-long term debt	<u>52,854</u>

Total current liabilities \$978,878

LONG TERM DEBT

Fixed rate lease obligation 12,015,000

EQUITY

Contribution in aid of construction	\$2,641,954
Municipal contribution	155,962
Grants	5,664,960
Retained earnings	<u>4,656,350</u>

Total equity 13,119,226

TOTAL LIABILITIES AND EQUITY \$26,113,104

See Accompanying Notes and Auditor's Report

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ACTUAL COMPARED TO BUDGET
FOR FISCAL YEAR ENDED JUNE 30, 1998

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUES			
Water sales	\$1,454,185	\$1,394,312	\$59,873
Sewer service	1,031,577	998,996	32,581
Interest earned	110,880	95,004	15,876
Other revenues	<u>14,838</u>	<u>10,992</u>	<u>3,846</u>
TOTAL OPERATING REVENUE	\$2,611,480	\$2,499,304	\$112,176
OPERATING EXPENSES			
Direct water expenses	\$520,209	\$454,850	(\$65,359)
Direct sewer expenses	332,492	330,755	(1,737)
Administrative expenses	<u>593,856</u>	<u>597,284</u>	<u>3,428</u>
TOTAL OPERATING EXPENSES	1,446,557	1,382,889	(63,668)
OPERATING INCOME BEFORE DEPRECIATION AND INTEREST	\$1,164,923	\$1,116,415	\$48,508
OTHER DEDUCTIONS			
Interest expenses-long term debt	\$439,114	\$464,196	\$25,082
Amortization-debt issue expense	41,642	41,640	(2)
Depreciation-water plant	302,207	281,796	(20,411)
Depreciation-sewer plant	238,412	227,856	(10,556)
Depreciation-office building	<u>10,003</u>	<u>9,996</u>	<u>(7)</u>
Total	<u>1,031,378</u>	<u>1,025,484</u>	<u>(5,894)</u>
OPERATING INCOME BEFORE EXTRAORDINARY ITEMS	\$133,545	\$90,931	\$42,614
LESS: DEFEASANCE OF DEBT LOSS	<u>202,880</u>		
NET INCOME (LOSS)	(\$69,335)		
RETAINED EARNINGS-July 1, 1997	4,848,910	4,848,910	
Transfer-City of Shelbyville General Fund	<u>(123,225)</u>	<u>(123,225)</u>	
RETAINED EARNINGS-June 30, 1998	\$4,656,350	\$4,816,616	
DEBT SERVICE COVERAGE			
Excluding interest earned	1.03		
Including interest earned	1.14		

STATEMENT OF OPERATING REVENUES
 ACTUAL COMPARED TO BUDGET
 FOR FISCAL YEAR ENDED JUNE 30, 1998

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
WATER SALES			
Industrial sales	\$108,863	\$98,000	\$10,863
Residential sales	807,396	766,000	41,396
Commercial sales	194,516	185,000	9,516
Sales to West Shelby Water Dist	134,524	135,000	(476)
Sales to North Shelby Water Dist	128,463	144,900	(16,437)
Private fire protection	41,182	39,996	1,186
Public fire protection	5,418	5,412	6
Other water sales	<u>33,823</u>	<u>20,004</u>	<u>13,819</u>
 TOTAL WATER SALES	 \$1,454,185	 \$1,394,312	 \$59,873
 SEWER SERVICE			
Industrial service	\$140,897	\$167,000	(\$26,103)
Residential service	436,998	417,000	19,998
Commercial service	168,082	158,000	10,082
Sanitation district service	243,403	226,800	16,603
Sewer pretreatment program	27,788	16,000	11,788
Other sewer service	<u>14,409</u>	<u>14,196</u>	<u>213</u>
 TOTAL SEWER SERVICE	 \$1,031,577	 \$998,996	 \$32,581

See Accompanying Notes and Auditor's Report

STATEMENT OF OPERATING EXPENSES
 ACTUAL COMPARED TO BUDGET
 FOR FISCAL YEAR ENDED JUNE 30, 1998

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
DIRECT WATER EXPENSES			
Operation, supervision, and engineering	\$9,534	\$ 7,992	(\$1,542)
Source of supply and pumping labor	138,634	101,628	(37,006)
Laboratory expense	24,774	21,000	(3,774)
Operating supplies	100,311	84,000	(16,311)
Maintenance-structures	6,698	24,260	17,562
Maintenance-pumping and filtering	58,792	38,362	(20,430)
Power	75,506	72,000	(3,506)
Maintenance-water mains	26,600	31,458	4,858
Maintenance-services and meters	33,110	32,500	(610)
Maintenance-hydrants	7,232	6,000	(1,232)
Meter readings	35,458	29,650	(5,808)
Sludge removal	<u>3,560</u>	<u>6,000</u>	<u>2,440</u>
TOTAL DIRECT WATER EXPENSES	\$520,209	\$454,850	(\$65,359)
DIRECT SEWER EXPENSES			
Operation, supervision, and engineering	\$7,058	\$4,800	(\$2,258)
Sewer plant labor	80,139	90,536	10,397
Laboratory expense	8,274	5,604	(2,670)
Operating supplies	20,933	17,004	(3,929)
Maintenance-structures	9,098	6,600	(2,498)
Maintenance-disposal plant equip	22,626	32,670	10,044
Power	60,415	60,200	(215)
Maintenance-sewer mains	17,535	20,220	2,685
Maintenance-sewer manholes	613	3,300	2,687
Maintenance-pump stations	44,224	29,800	(14,424)
Maintenance-flow monitoring	2,343	3,346	1,003
Pretreatment expense	9,211	13,200	3,989
Chronic tox testing	13,270	9,000	(4,270)
Sludge removal	<u>36,753</u>	<u>34,475</u>	<u>(2,278)</u>
TOTAL DIRECT SEWER EXPENSES	\$332,492	\$330,755	(\$1,737)

See Accompanying Notes and Auditor's Report


Sutherland, psc
 CERTIFIED PUBLIC ACCOUNTANT
 SHELBYVILLE, KENTUCKY

STATEMENT OF OPERATING EXPENSES
 ACTUAL COMPARED TO BUDGET (continued)
 FOR FISCAL YEAR ENDED JUNE 30, 1998

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
ADMINISTRATIVE EXPENSES			
Office salaries	\$57,423	\$54,692	(\$2,731)
Office supplies and expenses	28,952	28,404	(548)
Uncollectible revenue	2,595	2,400	(195)
Management salary	99,725	101,580	1,855
Management training	1,940	3,600	1,660
Legal and accounting	24,232	21,996	(2,236)
Commission member fees	3,322	9,600	6,278
Insurance	47,389	62,004	14,615
Employee insurance	66,471	65,004	(1,467)
Employee retirement	83,994	78,000	(5,994)
Miscellaneous expenses	47,435	32,724	(14,711)
Maintenance-general properties	26,573	24,000	(2,573)
Maintenance-safety equipment	3,672	4,800	1,128
Safety training	1,426	3,600	2,174
Truck and equipment expenses	31,241	36,000	4,759
Office cleaning and maintenance	6,802	10,080	3,278
Office utilities	3,010	3,600	590
Interest-customer deposits	4,634	4,200	(434)
Payroll taxes	46,661	48,000	1,339
Debt administration fees	<u>6,359</u>	<u>3,000</u>	<u>(3,359)</u>
TOTAL ADMINISTRATIVE EXPENSES	\$593,856	\$597,284	\$3,428

See Accompanying Notes and Auditor's Report

STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 1998

<u>Operating Activities</u>	
Net income (loss)	(\$69,335)
Adjustments to reconcile net income to net cash provided	
Depreciation	550,623
Amortization	41,642
Changes in operating assets and liabilities	
Accounts receivable	(32,016)
Due from others	(11,202)
Inventory	(1,777)
Prepayments	(1,005)
Accounts payable	369,256
Customer deposits	5,922
Accrued interest-long term debt	27,998
Other accrued liabilities	<u>8,190</u>
Net Cash Provided By Operating Activities	\$888,296
<u>Non Capital Financing Activities</u>	
Operating transfers-out to City of Shelbyville General Fund	<u>(\$123,225)</u>
Net Cash Used for Non Capital Financing Activities	(123,225)
<u>Capital and Related Financing Activities</u>	
Bond proceeds	\$9,540,000
Fixed capital lease-bonds retired	(1,178,100)
Contributions for construction	293,717
Payment to refunded bond escrow agent	(3,405,000)
Debt issue cost	<u>(254,100)</u>
Net Cash Provided by Capital and Related Financing Activities	4,996,517
<u>Investing Activities</u>	
Restricted funds and investments	(\$4,658,527)
Purchase utility plant assets	<u>(1,161,070)</u>
Net Cash Used for Investing Activities	<u>(5,819,597)</u>
Decrease in Cash and Cash Equivalents	(\$58,009)
Cash and Cash Equivalents, Beginning of Year	<u>256,963</u>
Cash and Cash Equivalents, End of Year	\$198,954
<u>Supplemental Disclosure of Cash Flow Information:</u>	
Cash paid during the year for interest	\$470,456

See Accompanying Notes and Auditor's Report

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies

Business activity

The Shelbyville Municipal Water and Sewer Commission operates a combined water and sewer system which serves Shelbyville and the surrounding area. The original Commission established in 1955 was dissolved, reestablished, and restructured on March 11, 1993. The Commission consists of five voting members. The Mayor shall be a voting member and shall act as chairman; a member of the City Council, to be designated by the City Council from among its members and approved by the Mayor, shall be a voting member; and three voting members shall be appointed by the Mayor, by and with the approval of the City Council.

Accrual basis

Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been provided for doubtful accounts due to the amount determined to be uncollectible.

Budget

The Chairman shall submit an annual budget to the Commission at the May monthly meeting. The budget shall provide for any request by the Commission for surplus funds deposited in the name of the City. The annual budget shall be approved no later than June 30 of each year. Surplus funds in excess of the amount required to be maintained under the provision of the lease agreements between Kentucky Municipal Finance Corporation and the City of Shelbyville shall be deposited in the name of the City as provided in the lease agreements and may be transferred to the general fund of the City as provided in the lease agreements.

Inventory

The inventory is priced at cost on the first-in, first-out basis.

Amortization

The debt issue expense is amortized by the debt outstanding method over the term of the issue.

Utility assets

All property and equipment is recorded at cost. Interest incurred on funds borrowed for construction is capitalized during the construction period. During the fiscal year ending June 30, 1998, \$23,033 interest was capitalized for construction in progress. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - Summary of significant accounting policies (continued)

Customer deposits

Interest is accrued at the rate of 6% but not paid until service is discontinued.

New customers

New service connection fees are recorded as an addition to the equity of the water and sewer system. The cost of installation of the new service is recorded as an addition to water or sewer plant in service and is subject to depreciation.

Debt service coverage

The debt service coverage is computed by dividing operating income before depreciation and interest on long term debt by the maximum annual principle and interest coming due on all system debt outstanding in any year (including base rentals.) The fixed rate lease purchase agreements requires debt service coverage of 1.20.

Accumulated vacation and sick leave

Vacation is earned at rates varying between 1 to 15 days per year depending on the length of service. Vacations must be taken during the year earned. Sick leave accrues at the rate of 1 day per month and shall accumulate to a maximum of 60 days. Unused sick days are not payable upon retirement or termination.

Retirement system

The Commission participates in the County Employees Retirement System. All eligible regular full-time employees are authorized and directed to participate in the system.

Cash equivalents

For the purpose of the statement of cash flows the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Cash investments

The Commission maintains numerous operating and restricted cash and cash investment accounts at various depository banks.

At June 30, 1998, the carrying amount of the Commission's cash investments were \$6,445,389 and the various bank balances were \$554,685. All cash investments were treasury certificates or were covered by collateral in the form of pledged treasury certificates. All of the bank balances were covered by the \$100,000 federal depository insurance or pledged treasury certificates.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - Restricted funds and investments

Following is a schedule of the restricted funds and investments.

	Debt Svc Fund	Debt Svc Resv Fund	Deprec Fund	Constr Funds	Surplus Fund	Admin Fund
Cash	\$105,241		\$163,989	\$635,920	\$96,082	
U.S. Gov Sec		\$1,038,313		\$4,660,000		\$86,029
Total	\$105,241	\$1,038,313	\$163,989	\$5,295,920	\$96,082	\$86,029

The fixed rate lease purchase agreement dated November 25, 1991 requires that the Commission establish various funds and accounts and make various monthly transfers. The Commission is in compliance with this requirement, except for their surplus fund is under funded by \$28,206. The series 1998A fixed rate lease purchase agreement dated June 1, 1998 also requires that the Commission establish various funds and accounts and make various monthly transfers.

NOTE 4 - Utility plant

The water system acquired from the Kentucky Water Service Company and all subsequent additions are recorded at cost. The sewer system is not recorded at cost. The actual cost to the Commission was the payment of outstanding Sewerage System Revenue Bonds in the amount of \$9,000. An appraisal made at the time of acquisition showed the system to have a net sound value of \$200,000. Consequently, entries were made in the Commission's records recording this amount as an asset. Subsequent additions have been recorded at cost.

Following is a schedule of the utility plant:

<u>Water plant</u>	
Source of supply land	\$5,000
Power and pumping land	21,500
Source of supply structures	2,005,463
Pumping structures	204,208
Standpipes	1,050,068
Purification system	1,662,900
Dam and line	41,357
Shop building	16,000
Miscellaneous structures	27,971
Pumping equipment	1,355,860
Distribution mains	3,679,167
Services and meters	1,022,286
Hydrants	<u>167,438</u>
Total water plant	\$11,259,218

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - Utility plant (continued)

<u>Sewer plant</u>	
Land	\$42,900
Structures	3,244,784
Distribution lines	2,932,348
Manholes	194,964
Disposal plant equipment	5,689,877
Office furniture and fixtures	<u>18,097</u>

Total sewer plant \$12,122,970

<u>Administrative and general</u>	
Land and building	\$439,860
Office furniture and fixtures	132,321
Transportation equipment	293,441
Shop equipment	<u>317,228</u>

Total administrative and general \$1,182,850

<u>Construction in progress</u>	
Water plant	\$1,016,151
Sewer plant	<u>10,804</u>
Total construction in progress	\$1,026,955

The construction in progress water plant includes the following projects.

1) Zebra mussel control and 18" parallel water main

Engineering	\$11,780
Parallel water main	153,811
Other	<u>12,750</u>
Total	\$178,341

2) Water transmission improvements project

Engineering	\$56,653
Construction	442,185
Capitalized interest	15,319
Other	<u>3,062</u>
Total	\$517,219

3) Water treatment plant improvements project

Engineering	\$292,418
Owner purchased equipment	10,365
Capitalized interest	9,673
Other	<u>4,552</u>
Total	\$317,008

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - Utility plant (continued)

4) Elevated water storage tank

Engineering \$3,583

The construction in progress sewer plant includes the following projects.

1) Converting digester to aerobic

Engineering \$10,804

NOTE 5 - Unamortized debt issue expense

This amount arose from the issuance of revenue bonds and is being amortized by the bonds outstanding method. During 1991, all earlier bond issues were retired with a capital lease. The refunding cost and the unamortized expenses of the earlier issues are shown as an additional unamortized expense of the 1991 capital lease and is being amortized over a 20 year period. During 1998, a portion of the capital lease was defeased and the remainder is still being amortized over the remaining 20 year period. The portion that was defeased and the new issuance costs is also being amortized over a 20 year period.

NOTE 6 - Fixed rate lease obligation

On November 25, 1991, the City of Shelbyville entered into a fixed rate lease purchase agreement with the Kentucky Municipal Finance Corporation as lessor. Under the agreement, revenue bonds of \$7,995,000 were sold at par. Proceeds were used to retire all outstanding revenue bonds and other long term lease obligations.

The bonds sold under the lease agreement will be retired over a period of twenty (20) years with interest rates from 4.6% to 6.7%. The annual base period rentals, including interest and fiduciary fees, under the agreement range from \$724,910 to \$736,832. The agreement establishes special trust funds as follows: General Revenue Fund, Debt Service Fund, Debt Service Reserve, Operation and Maintenance Fund, Depreciation Fund, and Surplus Fund. These funds are being maintained as required by the agreement except for the surplus fund is under funded by \$28,206. As provided under the Surplus Fund, \$123,221 was transferred to the City of Shelbyville General Fund during the fiscal year. At June 30, 1998 the Commission did not comply with the required debt service coverage of 1.20.

On April 19, 1996 an additional \$1,000,000 was borrowed through the Kentucky League of Cities Funding Trust for a term of seven (7) years at an interest rate of 5.18%. This debt was satisfied with proceeds from the new lease purchase agreement dated June 1, 1998.

On June 1, 1998 the City of Shelbyville entered into a fixed rate lease purchase agreement with the Kentucky Municipal Finance Corporation as lessor. Under the agreement, revenue bonds of \$9,540,000 were sold at par. \$3,607,880 of these funds were used to purchase US government securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - Fixed rate lease obligation (continued)

a portion of the 1991 lease purchase agreement. As a result the fixed rate lease portion held in escrow is considered defeased and the liability has been removed from the balance sheet.

The bonds sold under the new (1998) lease agreement will be retired over a period of twenty (20) years with interest rates from 4.0% to 4.15%. The annual base period rentals, including interest, under the agreement range from \$680,000 to \$1,025,213. The new agreement establishes special trust funds as follows: Administrative Expense Fund, Project Acquisition Fund, Rental Payment Fund, Debt Service Reserve Fund, and the Rebate Fund. These funds have been established and maintained as required by the agreement.

Although the advance refunding resulted in the recognition of an accounting loss of \$202,880 for the year end June 30, 1998, the Commission in effect reduced its aggregate debt service payment by \$905,000 over the next 20 years and obtained an economic gain of \$2.1 million.

In addition, to advance refunding part of the 1991 fixed rate lease purchase agreement, \$749,800 of the funds were used to pay off the 1996 Kentucky League of Cities funding trust debt and \$4,660,000 of the funds were set aside for new construction.

Outstanding revenue bonds under the lease agreements as of July 1, 1997	\$7,418,100
Bonds issued during the fiscal year	9,540,000
Bonds retired during the fiscal year	(1,178,100)
Bonds defeased	<u>(3,405,000)</u>
Bonds outstanding June 30, 1998	\$12,375,000
Current bonds outstanding	<u>360,000</u>
Long term bonds outstanding	\$12,015,000

Future maturities of long term debt		
<u>Due date</u>	<u>Interest rate</u>	<u>Amount</u>
2000	4.10 - 5.95	\$380,000
2001	4.20 - 6.05	400,000
2002	4.25 - 6.15	420,000
2003	4.30 - 6.25	440,000
2004	4.40 - 6.35	460,000
Thereafter	4.50 - 6.7	<u>9,915,000</u>
Total		\$12,015,000

NOTE 7 - Contribution in aid of construction

This amount consists of facilities paid for by customers and turned over to the Commission. For periods after July 1, 1978 new meter installation charges are credited to the account. On March 23, 1989, a new ordinance was passed for a system development charge to provide for capital improvements and future expansions to the water and sewer system.

NOTE 8 - Municipal contribution

As mentioned in note 4 on the valuation of the Sewer system, this amount represents the excess of the system carried on the books

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 - Grants

The Commission has received grants from the federal and state governments for new construction and improvements to the water and sewer system.

NOTE 10- Pension plan

The commission provides pension benefits for regular full-time employees with at least 100 hours of work per month. These benefits are provided under the County Employee Retirement System of the state of Kentucky. Regular full-time employees are required to participate. The plan is included in the Annual Report of the Kentucky Retirement Systems. A copy may be obtained from Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions - For the year ended June 30, 1997, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 1997, participating employers contributed 8.65% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 1997 was 8.65% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The Commission and covered employees made the required contributions for the fiscal year amounting to \$83,994. \$74,129 and \$70,606 were contributed for June 30, 1997 and 1996 respectively.

The following table sets forth the information required under GASB as of the latest report dated June 30, 1997 for the non-hazardous position county employees in the state of Kentucky.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - Pension plan (continued)

County Employees Retirement System - June 30, 1997
Information Required under GASB

Number of members

Retirees and beneficiaries receiving benefits	17,797
Terminated plan members - vested	2,503
Terminated plan members - nonvested	15,223
Active plan members	69,219
 Total	 104,742
 Number of participating employers	 1,050

The following table sets forth the information required under GASB Statement No. 25 as of the latest report dated June 30, 1997 for the non-hazardous position county employees in the state of Kentucky.

County Employees Retirement System - June 30, 1997
Information Required under GASB No. 25

Schedule of funding progress

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded (Over funded) (UAAL) (b-a)
June 30, 1992	1,349,505,389	1,386,316,882	36,811,493
June 30, 1993	1,549,218,273	1,558,370,044	9,151,771
June 30, 1994	1,680,890,826	1,748,933,823	68,042,997
June 30, 1995	1,901,448,617	1,935,154,223	33,705,606
June 30, 1996	2,237,808,033	2,083,374,317	(154,433,716)
June 30, 1997	2,750,196,558	2,390,620,093	(359,576,465)
			UAAL as a % of Covered Payroll (b-a)/c)
Funded Ratio (a/b)	Covered Payroll (c)		
0.973	967,040,640		0.038
0.994	1,107,476,940		0.008
0.961	1,050,987,720		0.065
0.983	1,167,668,400		0.029
1.074	1,137,192,560		(0.136)
1.150	1,297,116,204		(0.277)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - Pension plan (continued)

Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1992	76,879,731	66,844,437	0.870
June 30, 1993	97,679,466	86,394,130	0.885
June 30, 1994	92,697,117	83,583,039	0.902
June 30, 1995	102,404,519	88,922,215	0.868
June 30, 1996	101,665,015	95,660,478	0.941
June 30, 1997	112,200,552	105,773,743	0.942

Supplementary Information

Valuation Date	June 30, 1997
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Closed
Amortization Period - Each Benefit Improvement	30 years - Commencing With 1990 Valuation
Asset Valuation Method -	Five-year Average of Market to Book Value

Actuarial Assumptions:

Investment Return	8.25%
Projected Salary Increases	6.50%

J Sutherland, psc

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PHONE 502-633-3976
FAX 502-633-3977

October 15, 1998

ASSOCIATES
REBA C. KELLEY, CPA
LISA W. STEPHENSON, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners of
Shelbyville Municipal Water and Sewer Commission
Shelbyville, Kentucky

We have audited the financial statements of the Shelbyville Municipal Water and Sewer Commission, a component unit of the City of Shelbyville, as of and for the year ended June 30, 1998, and have issued our report thereon dated October 15, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shelbyville Municipal Water and Sewer Commission's, a component unit of the City of Shelbyville, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelbyville Municipal Water and Sewer Commissions's, a component unit of the City of Shelbyville, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which

Shelbyville Municipal Water and Sewer Commission
October 15, 1998
Page 2

the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the commission, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



APPENDIX F

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER
 Method: 1 - FEDERAL Std Conv Applied
 Range: 107 - SOURCE-SUPPLY STRUCTURE - 162 - SEWER

Year End: 06/30/98
 File: F:\AKDATA\050

Page: 1
 Date: 06/10/99
 Time: 13:51:00

Include: All assets

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 107 - SOURCE-SUPPLY STRUCTURE								
08/01/55	SOURCE STRUCTURE	0.00	5,100.00	0.00	5,100.00	0.00	5,100.00	
	SL MM 35.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		5,100.00	
11/01/62	SOURCE STRUCTURE	0.00	45.88	0.00	45.88	0.00	45.88	
	SL MM 35.00 Omit Active New Not Listed	36	0.00	0.00	100.00%		45.88	
12/01/64	SOURCE-SUPPLY STRUCTURE	0.00	160,901.69	0.00	160,901.69	4,597.19	154,695.45	
	SL MM 35.00 Omit Active New Not Listed	34	1,609.05	0.00	100.00%		159,292.64	
12/01/70	SOURCE-SUPPLY STRUCTURE	0.00	108,932.11	0.00	108,932.11	3,112.35	86,756.59	
	SL MM 35.00 Omit Active New Not Listed	28	19,063.17	0.00	100.00%		89,868.94	
12/01/70	SOURCE-SUPPLY STRUCTURE	0.00	256,860.11	0.00	256,860.11	7,338.86	198,791.34	
	SL MM 35.00 Omit Active New Not Listed	28	50,729.91	0.00	100.00%		206,130.20	
12/01/85	SOURCE-SUPPLY STRUCTURE	0.00	7,564.23	0.00	7,564.23	216.12	2,485.38	
	SL FM 35.00 Omit Active New Not Listed	13	4,862.73	0.00	100.00%		2,701.50	
12/30/87	SOURCE SUPPLY STRUCTURE	0.00	491,257.56	0.00	491,257.56	9,825.15	94,163.63	
	SL FM 50.00 Omit Active New Not Listed	11	387,268.78	0.00	100.00%		103,988.78	
06/01/90	FLOCKULATOR UPGRADE	0.00	23,823.93	0.00	23,823.93	1,191.20	8,437.62	
	SL FM 20.00 Omit Active New Not Listed	9	14,195.11	0.00	100.00%		9,628.82	
07/01/90	FLOCKULATOR (ADDITIONAL)	0.00	1,345.16	0.00	1,345.16	67.26	470.78	
	SL FM 20.00 Omit Active New Not Listed	8	807.12	0.00	100.00%		538.04	
09/10/92	GATES AT WATER PLANT	0.00	790.00	0.00	790.00	79.00	355.50	
	SL FM 10.00 Omit Active New Not Listed	6	355.50	0.00	100.00%		434.50	
10/13/92	ROAD AT WATER PLANT	0.00	2,656.50	0.00	2,656.50	265.65	1,195.42	
	SL FM 10.00 Omit Active New Not Listed	6	1,195.43	0.00	100.00%		1,461.07	
01/01/93	WATER TREATMENT PLANT IMPRV CONT	0.00	596,685.79	0.00	596,685.79	11,933.72	53,701.72	
	SL FM 50.00 Omit Active New Not Listed	6	531,050.35	0.00	100.00%		65,635.44	
04/25/94	2 CLEARWELLS & TANK RENOV CONT 32	0.00	342,928.68	0.00	342,928.68	6,858.57	22,290.35	
	SL FM 50.00 Omit Active New Not Listed	5	313,779.76	0.00	100.00%		29,148.92	
09/14/94	LIGHTING PROTECTION AT WATER	0.00	6,571.00	0.00	6,571.00	328.55	930.89	
	SL FM 20.00 Omit Active New Not Listed	4	5,311.56	0.00	100.00%		1,259.44	
Totals for ASSET A/C#: 107 (14 assets)			2,005,462.64	0.00	2,005,462.64	45,813.62	629,420.55	0.00
			1,330,228.47	0.00			675,234.17	0.00

Summary For:	107	Cost	Section 179 + Accum. Depr.	= Total
Beginning Balances	(14 assets)	2,005,462.64	0.00	629,420.55
+ Additions (A)	(0 assets)	0.00	Curr. Depr. 0.00	45,813.62
Subtotals		2,005,462.64	0.00	675,234.17
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00
Ending Balances	(14 assets)	2,005,462.64	0.00	675,234.17

ASSET A/C#: 109 - PUMPING STRUCTURES

08/01/55	PUMPING STRUCTURES	0.00	10,000.00	0.00	10,000.00	0.00	10,000.00	
	SL MM 35.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		10,000.00	
12/30/87	PUMPING STRUCTURES	0.00	194,208.06	0.00	194,208.06	3,884.16	37,223.20	
	SL FM 50.00 Omit Active New Not Listed	11	153,100.70	0.00	100.00%		41,107.36	
Totals for ASSET A/C#: 109 (2 assets)			204,208.06	0.00	204,208.06	3,884.16	47,223.20	0.00
			153,100.70	0.00			51,107.36	0.00

Summary For:	109	Cost	Section 179 + Accum. Depr.	= Total
Beginning Balances	(2 assets)	204,208.06	0.00	47,223.20
+ Additions (A)	(0 assets)	0.00	Curr. Depr. 0.00	3,884.16
Subtotals		204,208.06	0.00	51,107.36
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00
Ending Balances	(2 assets)	204,208.06	0.00	51,107.36

ASSET A/C#: 111 - STANDPIPES

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Page: 2

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 111 - STANDPIPES								
08/01/55	STANDPIPES		0.00	25,000.00	0.00	25,000.00	500.00	20,916.67
	SL MM 50.00 Omit Active New Not Listed	43	3,583.33	0.00	100.00%			21,416.67
12/01/59	STANDPIPES		0.00	52,926.49	0.00	52,926.49	1,058.53	39,694.79
	SL MM 50.00 Omit Active New Not Listed	39	12,173.17	0.00	100.00%			40,753.32
12/01/63	STANDPIPES		0.00	1,513.20	0.00	1,513.20	30.26	1,028.84
	SL MM 50.00 Omit Active New Not Listed	35	454.10	0.00	100.00%			1,059.10
12/01/65	STANDPIPES		0.00	95.00	0.00	95.00	1.90	60.80
	SL MM 50.00 Omit Active New Not Listed	33	32.30	0.00	100.00%			62.70
12/01/70	STANDPIPES		0.00	42,199.58	0.00	42,199.58	843.99	22,998.73
	SL MM 50.00 Omit Active New Not Listed	28	18,356.86	0.00	100.00%			23,842.72
06/01/71	STANDPIPES		0.00	10,667.51	0.00	10,667.51	213.35	8,847.12
	SL MM 50.00 Omit Active New Not Listed	28	1,607.04	0.00	100.00%			9,060.47
12/30/87	STANDPIPES		0.00	729,625.00	0.00	729,625.00	14,592.50	139,844.79
	SL FM 50.00 Omit Active New Not Listed	11	575,187.71	0.00	100.00%			154,437.29
01/10/90	PAINT D'TOWN TANK & PEARCE IND		0.00	162,857.16	0.00	162,857.16	0.00	162,857.16
	SL FM 50.00 Omit Active New Not Listed	9	2.00	2.00	100.00%			162,857.16
09/01/90	STANDPIPES		0.00	20,904.36	0.00	20,904.36	418.09	2,856.91
	SL FM 50.00 Omit Active New Not Listed	8	17,629.36	0.00	100.00%			3,275.00
07/01/91	ADDT'L 9/90 LEFT OFF 6/91 AUDIT RPS		0.00	1,206.64	0.00	1,206.64	24.13	144.78
	SL FM 50.00 Omit Active New Not Listed	7	1,037.73	0.00	100.00%			168.91
01/12/98 (A)	CHECK VALVE ON DOWNTOWN TANK		0.00	3,071.00	0.00	3,071.00	76.78	0.00
	SL FM 20.00 Omit Active New Not Listed	1	2,994.22	0.00	100.00%			76.78
Totals for ASSET A/C#: 111 (11 assets)				1,050,067.94	0.00	1,050,065.94	17,759.53	399,250.59
				633,057.82	2.00			417,010.12
								0.00

Summary For: 111

	Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances (10 assets)	1,046,996.94	0.00	399,250.59	399,250.59
+ Additions (A) (1 assets)	3,071.00	Curr. Depr. 0.00	17,759.53	17,759.53
Subtotals	1,050,067.94	0.00	417,010.12	417,010.12
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (11 assets)	1,050,067.94	0.00	417,010.12	417,010.12

ASSET A/C#: 113 - DAM AND LINE

08/01/55	DAM AND LINE		0.00	35,000.00	0.00	35,000.00	411.76	16,307.01
	SL MM 85.00 Omit Active New Not Listed	43	18,281.23	0.00	100.00%			16,718.77
12/01/57	DAM AND LINE		0.00	1,106.55	0.00	1,106.55	13.02	489.74
	SL MM 85.00 Omit Active New Not Listed	41	603.79	0.00	100.00%			502.76
09/01/62	DAM AND LINE		0.00	250.00	0.00	250.00	2.94	100.61
	SL MM 85.00 Omit Active New Not Listed	36	146.45	0.00	100.00%			103.55
06/01/65	DAM AND LINE		0.00	1,271.05	0.00	1,271.05	14.95	479.83
	SL MM 85.00 Omit Active New Not Listed	34	776.27	0.00	100.00%			494.78
07/15/87	FENCING		0.00	1,220.00	0.00	1,220.00	61.00	1,159.00
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%			1,220.00
05/01/89	DAM AND LINE		0.00	2,509.25	0.00	2,509.25	50.19	409.82
	SL FM 50.00 Omit Active New Not Listed	10	2,049.24	0.00	100.00%			460.01
Totals for ASSET A/C#: 113 (6 assets)				41,356.85	0.00	41,356.85	553.86	18,946.01
				21,856.98	0.00			19,499.87
								0.00

Summary For: 113

	Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances (6 assets)	41,356.85	0.00	18,946.01	18,946.01
+ Additions (A) (0 assets)	0.00	Curr. Depr. 0.00	553.86	553.86
Subtotals	41,356.85	0.00	19,499.87	19,499.87
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (6 assets)	41,356.85	0.00	19,499.87	19,499.87

ASSET A/C#: 114 - OFFICE BUILDING

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Page: 3

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss	
ASSET A/C#: 114 - OFFICE BUILDING									
10/15/90	NEW OFFICE BUILDING (FY6/90)	0.00	91,603.20	0.00	91,603.20	2,862.60	19,322.55		
	SL FM 32.00 Omit Active New Not Listed	8	69,418.05	0.00	100.00%		22,185.15		
10/15/90	NEW OFFICE BUILDING (ADDITIONAL)	0.00	226,288.16	0.00	226,288.16	7,071.51	47,732.65		
	SL FM 32.00 Omit Active New Not Listed	8	171,484.00	0.00	100.00%		54,804.16		
07/01/91	NEW OFFICE BUILDING (ADDT'L)	0.00	300.00	0.00	300.00	9.38	56.25		
	SL FM 32.00 Omit Active New Not Listed	7	234.37	0.00	100.00%		65.63		
06/14/95	PLAQUE ON BUILDING	0.00	1,188.00	0.00	1,188.00	59.40	123.75		
	SL FM 20.00 Omit Active New Not Listed	4	1,004.85	0.00	100.00%		183.15		
Totals for ASSET A/C#: 114									
			(4 assets)	319,379.36	0.00	319,379.36	10,002.89	67,235.20	0.00
				242,141.27	0.00		77,238.09	0.00	

Summary For:	114	Cost	Section 179 +	Accum. Depr.	=	Total
Beginning Balances	(4 assets)	319,379.36	0.00	67,235.20		67,235.20
+ Additions (A)	(0 assets)	0.00	Curr. Depr.	0.00		10,002.89
Subtotals		319,379.36	0.00	77,238.09		77,238.09
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00		0.00
Ending Balances	(4 assets)	319,379.36	0.00	77,238.09		77,238.09

ASSET A/C#: 115 - SHOP BUILDING									
08/01/55	SHOP BUILDING	0.00	16,000.00	0.00	16,000.00	0.00	16,000.00		
	SL MM 35.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		16,000.00		
12/01/75	WAREHOUSE AND SHOP	0.00	77,677.20	0.00	77,677.20	2,589.24	55,668.66		
	SL MM 30.00 Omit Active New Not Listed	23	19,419.30	0.00	100.00%		58,257.90		
12/31/84	SHOP BUILDING-OFFICE ADD	0.00	4,601.41	0.00	4,601.41	153.38	1,917.25		
	SL FM 30.00 Omit Active New Not Listed	14	2,530.78	0.00	100.00%		2,070.63		
05/09/90	FENCING	0.00	1,395.00	0.00	1,395.00	139.50	1,046.25		
	SL FM 10.00 Omit Active New Not Listed	9	209.25	0.00	100.00%		1,185.75		
06/01/90	ROCK STORAGE BINS	0.00	2,178.00	0.00	2,178.00	217.80	1,633.50		
	SL FM 10.00 Omit Active New Not Listed	9	326.70	0.00	100.00%		1,851.30		
09/01/90	DOOR	0.00	3,016.00	0.00	3,016.00	100.53	686.96		
	SL FM 30.00 Omit Active New Not Listed	8	2,228.51	0.00	100.00%		787.49		
05/10/94	FENCING	0.00	375.00	0.00	375.00	37.50	131.25		
	SL FM 10.00 Omit Active New Not Listed	5	206.25	0.00	100.00%		168.75		
Totals for ASSET A/C#: 115									
			(7 assets)	105,242.61	0.00	105,242.61	3,237.95	77,083.87	0.00
				24,920.79	0.00		80,321.82	0.00	

Summary For:	115	Cost	Section 179 +	Accum. Depr.	=	Total
Beginning Balances	(7 assets)	105,242.61	0.00	77,083.87		77,083.87
+ Additions (A)	(0 assets)	0.00	Curr. Depr.	0.00		3,237.95
Subtotals		105,242.61	0.00	80,321.82		80,321.82
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00		0.00
Ending Balances	(7 assets)	105,242.61	0.00	80,321.82		80,321.82

ASSET A/C#: 117 - MISC. STRUCTURES								
08/01/55	MISC. STRUCTURES	0.00	9,525.90	0.00	9,525.90	0.00	9,525.90	
	SL MM 35.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		9,525.90	
10/01/62	MISC. STRUCTURES	0.00	187.50	0.00	187.50	0.00	187.50	
	SL MM 35.00 Omit Active New Not Listed	36	0.00	0.00	100.00%		187.50	
12/01/70	MISC. STRUCTURES	0.00	4,199.00	0.00	4,199.00	0.00	4,199.00	
	SL MM 17.00 Omit Active New Not Listed	28	0.00	0.00	100.00%		4,199.00	
12/01/87	3 SHEDS	0.00	6,816.28	0.00	6,816.28	194.75	1,866.35	
	SL FM 35.00 Omit Active New Not Listed	11	4,755.18	0.00	100.00%		2,061.10	
08/12/97 (A)	2 TON TROLLEY	0.00	192.12	0.00	192.12	13.72	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	178.40	0.00	100.00%		13.72	
08/12/97 (A)	FENCE (3168 - 1667 FEMA)	0.00	1,501.00	0.00	1,501.00	75.05	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,425.95	0.00	100.00%		75.05	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 117 - MISC. STRUCTURES								
11/11/97 (A)	NEW SAFETY EXCHANGE SYS IN	0.00	4,824.07	0.00	4,824.07	160.80	0.00	
	SL FM 20.00 Omit Active New Not Listed	1	4,663.27	0.00	100.00%		160.80	
11/11/97 (A)	HUMIDIFIER & HEATER	0.00	724.90	0.00	724.90	36.25	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	688.65	0.00	100.00%		36.25	
Totals for ASSET A/C#: 117 (8 assets)			27,970.77	0.00	27,970.77	480.57	15,778.75	0.00
			11,711.45	0.00			16,259.32	0.00

Summary For: 117

	Cost	Section 179 + Curr. Depr.	Accum. Depr.	= Total
Beginning Balances (4 assets)	20,728.68	0.00	15,778.75	15,778.75
+ Additions (A) (4 assets)	7,242.09	0.00	480.57	480.57
Subtotals	27,970.77	0.00	16,259.32	16,259.32
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (8 assets)	27,970.77	0.00	16,259.32	16,259.32

ASSET A/C#: 119 - ELECTRIC PUMPING EQUIP.

08/01/55	ELECTRIC PUMPING EQUIPMENT	0.00	16,500.00	0.00	16,500.00	0.00	16,500.00	
	SL MM 20.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		16,500.00	
12/01/64	ELECTRIC PUMPING EQUIPMENT	0.00	121,090.00	0.00	121,090.00	0.00	121,090.00	
	SL MM 20.00 Omit Active New Not Listed	34	0.00	0.00	100.00%		121,090.00	
12/01/67	ELECTRIC PUMPING EQUIPMENT	0.00	2,114.79	0.00	2,114.79	0.00	2,114.79	
	SL MM 20.00 Omit Active New Not Listed	31	0.00	0.00	100.00%		2,114.79	
06/01/70	ELECTRIC PUMPING EQUIPMENT	0.00	239,362.99	0.00	239,362.99	0.00	239,362.99	
	SL MM 20.00 Omit Active New Not Listed	29	0.00	0.00	100.00%		239,362.99	
11/01/71	ELECTRIC PUMPING EQUIPMENT	0.00	5,900.00	0.00	5,900.00	0.00	5,900.00	
	SL MM 20.00 Omit Active New Not Listed	27	0.00	0.00	100.00%		5,900.00	
11/01/87	TELEMETERING	0.00	1,010.11	0.00	1,010.11	50.51	488.19	
	SL FM 20.00 Omit Active New Not Listed	11	471.41	0.00	100.00%		538.70	
12/30/87	ELECTRICAL PUMPING EQUIPMENT	0.00	707,654.74	0.00	707,654.74	20,218.71	193,797.90	
	SL FM 35.00 Omit Active New Not Listed	11	493,638.13	0.00	100.00%		214,016.61	
01/13/88	200 HP MOTOR FOR WTP	0.00	8,950.63	0.00	8,950.63	447.53	4,251.54	
	SL FM 20.00 Omit Active New Not Listed	11	4,251.56	0.00	100.00%		4,699.07	
11/30/88	LOW SERVICE PUMP	0.00	5,131.50	0.00	5,131.50	256.58	2,223.63	
	SL FM 20.00 Omit Active New Not Listed	10	2,651.29	0.00	100.00%		2,480.21	
03/15/89	25 PT DEHUMIDIFIER FOR LIFT STATION	0.00	226.74	0.00	226.74	22.67	192.69	
	SL FM 10.00 Omit Active New Not Listed	10	11.38	0.00	100.00%		215.36	
06/01/89	100 HP MOTOR 12HH65 5 STAGE PUMP	0.00	10,483.91	0.00	10,483.91	524.20	4,237.22	
	SL FM 20.00 Omit Active New Not Listed	10	5,722.49	0.00	100.00%		4,761.42	
06/01/89	#3 HIGH SERVICE PUMP	0.00	13,200.00	0.00	13,200.00	660.00	5,335.00	
	SL FM 20.00 Omit Active New Not Listed	10	7,205.00	0.00	100.00%		5,995.00	
09/13/89	DEHUMIDIFICATION SYS-MOTOR CONT	0.00	4,180.00	0.00	4,180.00	209.00	1,637.17	
	SL FM 20.00 Omit Active New Not Listed	9	2,333.83	0.00	100.00%		1,846.17	
08/01/91	HUMIDITY CONTROL-MOTOR CONTROL	0.00	7,360.00	0.00	7,360.00	368.00	2,177.33	
	SL FM 20.00 Omit Active New Not Listed	7	4,814.67	0.00	100.00%		2,545.33	
01/01/92	200 HP GE PUMP	0.00	7,363.89	0.00	7,363.89	368.19	2,025.05	
	SL FM 20.00 Omit Active New Not Listed	7	4,970.65	0.00	100.00%		2,393.24	
01/01/92	HOIST AND TON TROLLEY-PUMP BLDG	0.00	257.85	0.00	257.85	36.84	202.58	
	SL FM 7.00 Omit Active New Not Listed	7	18.43	0.00	100.00%		239.42	
06/01/94	PUMP & HOSE FOR D-WATERING BASINS	0.00	3,155.25	0.00	3,155.25	157.76	486.43	
	SL FM 20.00 Omit Active New Not Listed	5	2,511.06	0.00	100.00%		644.19	
09/14/94	COMPUTER EQUIP CONTROL ALL	0.00	52,556.27	0.00	52,556.27	5,255.63	13,139.07	
	SL FM 10.00 Omit Active New Not Listed	4	34,161.57	0.00	100.00%		18,394.70	
12/13/94	3 CHECK VALES IN LOWER SERV PUMPS	0.00	5,457.50	0.00	5,457.50	272.88	704.94	
	SL FM 20.00 Omit Active New Not Listed	4	4,479.68	0.00	100.00%		977.82	
12/31/94	PROGRESSICE CAVITY PUMP - BASINS	0.00	42,129.91	0.00	42,129.91	2,106.50	5,441.79	
	SL FM 20.00 Omit Active New Not Listed	4	34,581.62	0.00	100.00%		7,548.29	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 119 - ELECTRIC PUMPING EQUIP.								
01/11/95	BACKWASH SYSTEM	0.00	7,931.94	0.00	7,931.94	396.60	991.50	
	SL FM 20.00 Omit Active New Not Listed	4	6,543.84	0.00	100.00%		1,388.10	
03/14/95	ELECTRIC VALVE TURN OFF/REPLACE	0.00	691.12	0.00	691.12	34.56	80.64	
	SL FM 20.00 Omit Active New Not Listed	4	575.92	0.00	100.00%		115.20	
03/14/95	NEW PUMP AT WINDHURST PUMPING	0.00	2,539.00	0.00	2,539.00	126.95	296.22	
	SL FM 20.00 Omit Active New Not Listed	4	2,115.83	0.00	100.00%		423.17	
04/12/95	STRIP CHART RECORDER	0.00	3,954.00	0.00	3,954.00	395.40	988.50	
	SL FM 10.00 Omit Active New Not Listed	4	2,570.10	0.00	100.00%		1,383.90	
05/10/95	REBUILD 200HP MOTOR	0.00	4,716.00	0.00	4,716.00	471.60	1,179.00	
	SL FM 10.00 Omit Active New Not Listed	4	3,065.40	0.00	100.00%		1,650.60	
01/09/96	NEW ENERGY EFFICIENT PUMP MOTOR	0.00	4,387.29	0.00	4,387.29	438.73	658.09	
	SL FM 10.00 Omit Active New Not Listed	3	3,290.47	0.00	100.00%		1,096.82	
02/13/96	BRADLEY VARIABLE SPEED DRIVE FOR 1	0.00	7,828.80	0.00	7,828.80	391.44	554.54	
	SL FM 20.00 Omit Active New Not Listed	3	6,882.82	0.00	100.00%		945.98	
06/01/96	2 DEHUMIDIFIERS @ WATER PLANT	0.00	899.26	0.00	899.26	89.93	134.89	
	SL FM 10.00 Omit Active New Not Listed	3	674.44	0.00	100.00%		224.82	
12/31/96	SHUT DOWN SWITCH,CIRCUIT	0.00	6,743.70	0.00	6,743.70	674.37	337.19	
	SL FM 10.00 Omit Active New Not Listed	2	5,732.14	0.00	100.00%		1,011.56	
08/12/97 (A)	TRANSMITTER AT WATER PLANT	0.00	2,230.00	0.00	2,230.00	111.50	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	2,118.50	0.00	100.00%		111.50	
08/12/97 (A)	NEW PUMP DRIVE	0.00	8,750.00	0.00	8,750.00	437.50	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	8,312.50	0.00	100.00%		437.50	
10/14/97 (A)	NEW PUMP	0.00	5,434.00	0.00	5,434.00	271.70	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	5,162.30	0.00	100.00%		271.70	
10/14/97 (A)	NEW PUMP	0.00	3,496.00	0.00	3,496.00	174.80	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	3,321.20	0.00	100.00%		174.80	
10/14/97 (A)	PUMP OVERHAULED	0.00	3,923.00	0.00	3,923.00	196.15	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	3,726.85	0.00	100.00%		196.15	
11/11/97 (A)	OVERLOAD ELECTRICAL CIRCUIT @	0.00	1,942.75	0.00	1,942.75	97.14	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,845.61	0.00	100.00%		97.14	
11/11/97 (A)	NEW ELECTRICAL VALVE AT WATER	0.00	1,479.00	0.00	1,479.00	73.95	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,405.05	0.00	100.00%		73.95	
12/15/97 (A)	NEW MAIN SQ D CIRCUIT BREAKER	0.00	16,700.00	0.00	16,700.00	835.00	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	15,865.00	0.00	100.00%		835.00	
12/15/97 (A)	NEW PROGRESSIVE GRAVITY PUMP FOR	0.00	6,563.00	0.00	6,563.00	328.15	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	6,234.85	0.00	100.00%		328.15	
12/15/97 (A)	TIMER/CONTROLS FOR BACKWASH TANK	0.00	1,024.31	0.00	1,024.31	51.22	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	973.09	0.00	100.00%		51.22	
02/10/98 (A)	GLOBE VALVE BODY	0.00	3,369.82	0.00	3,369.82	168.49	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	3,201.33	0.00	100.00%		168.49	
03/13/98 (A)	AUMA VALVE	0.00	1,850.00	0.00	1,850.00	92.50	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,757.50	0.00	100.00%		92.50	
05/01/98 (A)	HYDRAULIC TIME DELAY CHECK VALVE	0.00	2,150.00	0.00	2,150.00	107.50	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	2,042.50	0.00	100.00%		107.50	
06/01/98 (A)	NEW PUMP FOR SURGE TANK	0.00	3,171.06	0.00	3,171.06	158.55	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	3,012.51	0.00	100.00%		158.55	
Totals for ASSET A/C#: 119 (43 assets)			1,355,860.13	0.00	1,355,860.13	37,078.73	626,528.88	0.00
			692,252.52	0.00			663,607.61	0.00

Summary For:	119	Cost	Section 179 +	Accum. Depr.	= Total
Beginning Balances	(29 assets)	1,293,777.19	0.00	626,528.88	626,528.88
+ Additions (A)	(14 assets)	62,082.94	Curr. Depr.	37,078.73	37,078.73
Subtotals		1,355,860.13	0.00	663,607.61	663,607.61
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(43 assets)	1,355,860.13	0.00	663,607.61	663,607.61

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 121 - PURIFICATION EQUIPMENT								
12/01/64	PURIFICATION SYSTEM	0.00	40,718.80	0.00	40,718.80	1,163.39	39,148.08	
	SL MM 35.00 Omit Active New Not Listed	34	407.33	0.00	100.00%		40,311.47	
12/01/70	PURIFICATION SYSTEM	0.00	92,905.59	0.00	92,905.59	2,654.45	72,001.30	
	SL MM 35.00 ITC= Active New Not Listed	28	18,249.84	0.00	100.00%		74,655.75	
01/01/74	BIF FEEDER	0.00	957.00	0.00	957.00	0.00	957.00	
	SL MM 15.00 ITC= Active New Not Listed	25	0.00	0.00	100.00%		957.00	
08/01/84	DIGITAL PH METER	0.00	825.00	0.00	825.00	0.00	825.00	
	SL FM 5.00 ITC= Active New Not Listed	14	0.00	0.00	100.00%		825.00	
10/09/85	MAGNETIC STIRRER	0.00	137.39	0.00	137.39	0.00	137.39	
	SL FM 10.00 ITC= Active New Not Listed	13	0.00	0.00	100.00%		137.39	
01/01/86	PORT/ CONDUCTIVITY	0.00	595.00	0.00	595.00	0.00	595.00	
	SL FM 10.00 ITC= Active New Not Listed	13	0.00	0.00	100.00%		595.00	
06/30/86	CHEMICAL FEED EQUIPMENT	0.00	9,507.00	0.00	9,507.00	271.63	3,010.49	
	SL FM 35.00 ITC= Active New Not Listed	13	6,224.88	0.00	100.00%		3,282.12	
09/01/86	PURIFICATION EQUIPMENT	0.00	1,643.45	0.00	1,643.45	0.00	1,643.45	
	SL FM 10.00 ITC= Active New Not Listed	12	0.00	0.00	100.00%		1,643.45	
10/01/86	PREV. MAINT. KIT	0.00	1,122.60	0.00	1,122.60	0.00	1,122.60	
	SL FM 10.00 ITC= Active New Not Listed	12	0.00	0.00	100.00%		1,122.60	
08/01/87	AUTO SUMP PUMP	0.00	181.61	0.00	181.61	0.00	181.61	
	SL FM 5.00 ITC= Active New Not Listed	11	0.00	0.00	100.00%		181.61	
12/30/87	PURIFICATION EQUIPMENT	0.00	1,382,173.00	0.00	1,382,173.00	39,490.66	378,386.24	
	SL FM 35.00 ITC= Active New Not Listed	11	964,296.10	0.00	100.00%		417,876.90	
01/01/88	SLUDGE JUDGE	0.00	94.47	0.00	94.47	0.00	94.47	
	SL FM 5.00 ITC= Active New Not Listed	11	0.00	0.00	100.00%		94.47	
03/09/88	PALLET TRUCK	0.00	375.00	0.00	375.00	18.75	356.25	
	SL FM 10.00 ITC= Active New Not Listed	11	0.00	0.00	100.00%		375.00	
11/01/91	METERING PUMP	0.00	1,369.23	0.00	1,369.23	195.60	1,075.80	
	SL FM 7.00 ITC= Active New Not Listed	7	97.83	0.00	100.00%		1,271.40	
01/01/92	AUMA MOTOR	0.00	654.87	0.00	654.87	93.55	514.52	
	SL FM 7.00 ITC= Active New Not Listed	7	46.80	0.00	100.00%		608.07	
10/13/92	RAW WATER TRANSMITTER	0.00	1,298.50	0.00	1,298.50	185.50	834.75	
	SL FM 7.00 ITC= Active New Not Listed	6	278.25	0.00	100.00%		1,020.25	
11/11/92	CELL TRANSMITTOR	0.00	1,151.10	0.00	1,151.10	164.44	739.98	
	SL FM 7.00 ITC= Active New Not Listed	6	246.68	0.00	100.00%		904.42	
01/01/94	PURIFICATION EQUIPMENT	0.00	6,274.00	0.00	6,274.00	896.29	3,137.00	
	SL FM 7.00 ITC= Active New Not Listed	5	2,240.71	0.00	100.00%		4,033.29	
08/09/94	TURBIDITY METERS (DRY AIR SYSTEM)	0.00	2,721.66	0.00	2,721.66	136.08	408.24	
	SL FM 20.00 ITC= Active New Not Listed	4	2,177.34	0.00	100.00%		544.32	
11/16/94	2 ACTUATORS	0.00	3,794.50	0.00	3,794.50	189.73	505.94	
	SL FM 20.00 ITC= Active New Not Listed	4	3,098.83	0.00	100.00%		695.67	
12/13/94	UPGRADE 2 PURCHASE 1 TURBIDITY	0.00	3,408.55	0.00	3,408.55	340.86	852.14	
	SL FM 10.00 Omit Active New Not Listed	4	2,215.55	0.00	100.00%		1,193.00	
12/13/94	2 REDUCE FEEDER GEARS	0.00	1,851.45	0.00	1,851.45	185.15	462.87	
	SL FM 10.00 Omit Active New Not Listed	4	1,203.43	0.00	100.00%		648.02	
01/01/95	#2 & #3 MEDIA REPAIR (FILTERS)	0.00	71,279.70	0.00	71,279.70	3,563.99	8,909.97	
	SL FM 20.00 Omit Active New Not Listed	4	58,805.74	0.00	100.00%		12,473.96	
01/11/95	1 METERING PUMP	0.00	1,342.79	0.00	1,342.79	134.28	335.69	
	SL FM 10.00 Omit Active New Not Listed	4	872.82	0.00	100.00%		469.97	
01/11/95	SPARE ACTUATOR & MOTOR BACKUP	0.00	2,323.00	0.00	2,323.00	116.15	290.37	
	SL FM 20.00 Omit Active New Not Listed	4	1,916.48	0.00	100.00%		406.52	
06/01/95	2 BOD PROBE SELF STIR/2 D O METERS	0.00	1,724.64	0.00	1,724.64	172.46	431.15	
	SL FM 10.00 Omit Active New Not Listed	4	1,121.03	0.00	100.00%		603.61	
09/08/95	POLYMER FEED(INCLUDES TANKS &	0.00	5,586.71	0.00	5,586.71	279.34	512.12	
	SL FM 20.00 Omit Active New Not Listed	3	4,795.25	0.00	100.00%		791.46	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 121 - PURIFICATION EQUIPMENT								
10/11/95	NEW JAR TEST MACHINE	0.00	1,008.43	0.00	1,008.43	100.84	151.26	
	SL FM 10.00 Omit Active New Not Listed	3	756.33	0.00	100.00%		252.10	
12/13/95	FREE CHLORINE ANALYZER	0.00	2,780.88	0.00	2,780.88	278.09	417.13	
	SL FM 10.00 Omit Active New Not Listed	3	2,085.66	0.00	100.00%		695.22	
02/13/96	AUMA VALVE ACTUATER	0.00	2,570.33	0.00	2,570.33	128.52	182.07	
	SL FM 20.00 Omit Active New Not Listed	3	2,259.74	0.00	100.00%		310.59	
06/01/96	PH I 40 METER	0.00	1,742.22	0.00	1,742.22	174.22	261.33	
	SL FM 10.00 Omit Active New Not Listed	3	1,306.67	0.00	100.00%		435.55	
01/15/97	SCALES	0.00	148.43	0.00	148.43	14.84	7.42	
	SL FM 10.00 Omit Active New Not Listed	2	126.17	0.00	100.00%		22.26	
05/13/97	HEPA AIR CLEANER ODOR CONTROL	0.00	488.36	0.00	488.36	48.84	24.42	
	SL FM 10.00 Omit Active New Not Listed	2	415.10	0.00	100.00%		73.26	
01/01/98 (A)	PURIFICATION EQUIPMENT	0.00	18,144.27	0.00	18,144.27	907.21	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	17,237.06	0.00	100.00%		907.21	

Totals for ASSET A/C#: 121	(34 assets)		1,662,899.53	0.00	1,662,899.53	51,904.86	518,513.05	0.00
			1,092,481.62	0.00			570,417.91	0.00

Summary For:	121	Cost	Section 179 +	Accum. Depr.	=	Total
Beginning Balances	(33 assets)	1,644,755.26	0.00	518,513.05		518,513.05
+ Additions (A)	(1 assets)	18,144.27	Curr. Depr.	0.00		51,904.86
Subtotals		1,662,899.53	0.00	570,417.91		570,417.91
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00		0.00
Ending Balances	(34 assets)	1,662,899.53	0.00	570,417.91		570,417.91

ASSET A/C#: 123 - WATER DIST. MAINS

08/01/55	DISTRIBUTION MAINS	0.00	310,914.92	0.00	310,914.92	6,218.30	260,132.14	
	SL MM 50.00 Omit Active New Not Listed	43	44,564.48	0.00	100.00%		266,350.44	
12/01/55	DISTRIBUTION MAINS	0.00	32,364.07	0.00	32,364.07	647.28	26,517.41	
	SL MM 50.00 Omit Active New Not Listed	43	5,199.38	0.00	100.00%		27,164.69	
12/01/59	DISTRIBUTION MAINS	0.00	69,986.00	0.00	69,986.00	1,399.72	52,877.08	
	SL MM 50.00 Omit Active New Not Listed	39	15,709.20	0.00	100.00%		54,276.80	
12/01/60	DISTRIBUTION MAINS	0.00	9,625.88	0.00	9,625.88	192.52	7,022.02	
	SL MM 50.00 Omit Active New Not Listed	38	2,411.34	0.00	100.00%		7,214.54	
12/01/62	DISTRIBUTION AMINS	0.00	5,866.30	0.00	5,866.30	117.33	4,165.04	
	SL MM 50.00 Omit Active New Not Listed	36	1,583.93	0.00	100.00%		4,282.37	
12/01/62	DISTRIBUTION MAINS	0.00	14,171.24	0.00	14,171.24	283.42	9,777.99	
	SL MM 50.00 Omit Active New Not Listed	36	4,109.83	0.00	100.00%		10,061.41	
12/01/63	DISTRIBUTION MAINS	0.00	42,960.79	0.00	42,960.79	859.22	28,790.69	
	SL MM 50.00 Omit Active New Not Listed	35	13,310.88	0.00	100.00%		29,649.91	
12/01/64	DISTRIBUTION MAINS	0.00	88,957.55	0.00	88,957.55	1,779.15	58,711.95	
	SL MM 50.00 Omit Active New Not Listed	34	28,466.45	0.00	100.00%		60,491.10	
12/01/66	DISTRIBUTION MAINS	0.00	1,393.50	0.00	1,393.50	27.87	863.97	
	SL MM 50.00 Omit Active New Not Listed	32	501.66	0.00	100.00%		891.84	
12/01/67	DISTRIBUTION MAINS	0.00	254,230.16	0.00	254,230.16	5,084.60	152,538.00	
	SL MM 50.00 Omit Active New Not Listed	31	96,607.56	0.00	100.00%		157,622.60	
12/01/68	DISTRIBUTION MAINS	0.00	33.33	0.00	33.33	0.67	19.32	
	SL MM 50.00 Omit Active New Not Listed	30	13.34	0.00	100.00%		19.99	
12/01/69	DISTRIBUTION MAINS	0.00	633.97	0.00	633.97	12.68	374.94	
	SL MM 50.00 Omit Active New Not Listed	29	246.35	0.00	100.00%		387.62	
10/01/70	DISTRIBUTION MAINS	0.00	423,409.09	0.00	423,409.09	8,468.18	232,169.26	
	SL MM 50.00 Omit Active New Not Listed	28	182,771.65	0.00	100.00%		240,637.44	
12/01/70	DISTRIBUTION MAINS	0.00	53,308.49	0.00	53,308.49	1,066.17	28,285.64	
	SL MM 50.00 Omit Active New Not Listed	28	23,956.68	0.00	100.00%		29,351.81	
11/01/71	DISTRIBUTION MAINS	0.00	300.00	0.00	300.00	6.00	153.50	
	SL MM 50.00 Omit Active New Not Listed	27	140.50	0.00	100.00%		159.50	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 123 - WATER DIST. MAINS								
09/01/72	DISTRIBUTION MAINS-B AL	0.00	4,501.73	0.00	4,501.73	90.03	2,228.25	
	SL MM 50.00 Omit Active New Not Listed	26	2,183.45	0.00	100.00%		2,318.28	
05/01/73	DISTRIBUTION MAINS	0.00	7,480.00	0.00	7,480.00	149.60	3,602.87	
	SL MM 50.00 Omit Active New Not Listed	26	3,727.53	0.00	100.00%		3,752.47	
12/01/74	MAINS-HOCHERESS	0.00	1,514.02	0.00	1,514.02	30.28	681.30	
	SL MM 50.00 Omit Active New Not Listed	24	802.44	0.00	100.00%		711.58	
12/01/74	MAINS-SPRING OAKS	0.00	3,167.37	0.00	3,167.37	63.35	1,425.29	
	SL MM 50.00 Omit Active New Not Listed	24	1,678.73	0.00	100.00%		1,488.64	
12/01/74	MAINS-SOUTH SHORES	0.00	1,631.91	0.00	1,631.91	32.64	734.32	
	SL MM 50.00 Omit Active New Not Listed	24	864.95	0.00	100.00%		766.96	
12/01/74	MAINS-ROLLING HILLS	0.00	476.80	0.00	476.80	9.54	214.57	
	SL MM 50.00 Omit Active New Not Listed	24	252.69	0.00	100.00%		224.11	
12/01/75	MAINS-LINDEN & C	0.00	17,990.00	0.00	17,990.00	359.80	7,735.70	
	SL MM 50.00 Omit Active New Not Listed	23	9,894.50	0.00	100.00%		8,095.50	
12/01/75	MAINS-PEACH TREE	0.00	8,490.00	0.00	8,490.00	169.80	3,480.90	
	SL MM 50.00 Omit Active New Not Listed	23	4,839.30	0.00	100.00%		3,650.70	
12/01/75	DISTRIBUTION MAINS	0.00	15,934.88	0.00	15,934.88	318.70	6,851.97	
	SL MM 50.00 Omit Active New Not Listed	23	8,764.21	0.00	100.00%		7,170.67	
12/01/75	MAINS-WALTERS R	0.00	23,820.50	0.00	23,820.50	476.41	10,004.61	
	SL MM 50.00 Omit Active New Not Listed	23	13,339.48	0.00	100.00%		10,481.02	
12/01/75	MAINS-B ALMON	0.00	340.00	0.00	340.00	6.80	142.80	
	SL MM 50.00 Omit Active New Not Listed	23	190.40	0.00	100.00%		149.60	
12/01/75	MAINS-ROLLING HILLS	0.00	1,190.00	0.00	1,190.00	23.80	499.80	
	SL MM 50.00 Omit Active New Not Listed	23	666.40	0.00	100.00%		523.60	
12/01/75	MAINS-SOUTH SHORES	0.00	1,360.00	0.00	1,360.00	27.20	571.20	
	SL MM 50.00 Omit Active New Not Listed	23	761.60	0.00	100.00%		598.40	
12/01/75	MAINS-FLEMING	0.00	750.00	0.00	750.00	15.00	315.00	
	SL MM 50.00 Omit Active New Not Listed	23	420.00	0.00	100.00%		330.00	
12/01/75	MAINS-KY ENTERPRIZE	0.00	2,550.00	0.00	2,550.00	51.00	1,071.00	
	SL MM 50.00 Omit Active New Not Listed	23	1,428.00	0.00	100.00%		1,122.00	
11/01/77	WATER MAINS	0.00	15,907.63	0.00	15,907.63	318.15	6,363.00	
	SL MM 50.00 Omit Active New Not Listed	21	9,226.48	0.00	100.00%		6,681.15	
06/30/79	KEN IMPROVEMENTS	0.00	1,190.00	0.00	1,190.00	23.80	430.38	
	SL MM 50.00 Omit Active New Not Listed	20	735.82	0.00	100.00%		454.18	
06/30/79	ROLLING HILLS	0.00	850.00	0.00	850.00	17.00	307.42	
	SL MM 50.00 Omit Active New Not Listed	20	525.58	0.00	100.00%		324.42	
06/30/79	FINCHVILLE	0.00	445,342.07	0.00	445,342.07	8,906.84	160,323.12	
	SL MM 50.00 Omit Active New Not Listed	20	276,112.11	0.00	100.00%		169,229.96	
06/30/79	SHELBY BUISNESS PARK	0.00	38,295.15	0.00	38,295.15	765.90	13,786.20	
	SL MM 50.00 Omit Active New Not Listed	20	23,743.05	0.00	100.00%		14,552.10	
12/31/79	FINCHVILLE	0.00	35,417.49	0.00	35,417.49	708.35	12,396.04	
	SL MM 50.00 Omit Active New Not Listed	19	22,313.10	0.00	100.00%		13,104.39	
12/31/79	KEN IMPROVEMENTS	0.00	1,700.00	0.00	1,700.00	34.00	595.00	
	SL MM 50.00 Omit Active New Not Listed	19	1,071.00	0.00	100.00%		629.00	
12/31/79	WATER MAINS	0.00	2,107.55	0.00	2,107.55	42.15	737.63	
	SL MM 50.00 Omit Active New Not Listed	19	1,327.77	0.00	100.00%		779.78	
12/31/80	FINCHVILLE	0.00	692.06	0.00	692.06	13.84	228.36	
	SL MM 50.00 Omit Active New Not Listed	18	449.86	0.00	100.00%		242.20	
12/31/80	ZARING MILL ROAD	0.00	21,595.90	0.00	21,595.90	431.92	7,126.60	
	SL MM 50.00 Omit Active New Not Listed	18	14,037.38	0.00	100.00%		7,558.52	
07/31/81	ZARING MILL ROAD	0.00	1,060.46	0.00	1,060.46	21.21	339.28	
	SL MM 50.00 Omit Active New Not Listed	17	699.97	0.00	100.00%		360.49	
01/01/82	BRENTWOOD, INC.	0.00	250.00	0.00	250.00	5.00	77.50	
	SL MM 50.00 Omit Active New Not Listed	17	167.50	0.00	100.00%		82.50	

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ASSET A/C#: 123 - WATER DIST. MAINS								
06/01/82	LOGAN STATION	0.00	5,084.11	0.00	5,084.11	101.68	1,533.67	
	SL MM 50.00 Omit Active New Not Listed	17	3,448.76	0.00	100.00%		1,635.35	
12/31/82	DISTRIBUTION MAINS	0.00	31,008.19	0.00	31,008.19	620.16	9,302.40	
	SL MM 50.00 Omit Active New Not Listed	16	21,085.63	0.00	100.00%		9,922.56	
12/31/83	WATER DISTRIBUTION MAINS	0.00	18,184.03	0.00	18,184.03	363.68	4,909.68	
	SL MM 50.00 Omit Active New Not Listed	15	12,910.67	0.00	100.00%		5,273.36	
12/31/84	WATER DISTRIBUTION MAINS	0.00	60,239.05	0.00	60,239.05	1,204.78	15,059.75	
	SL FM 50.00 Omit Active New Not Listed	14	43,974.52	0.00	100.00%		16,264.53	
12/31/85	WATER DISTRIBUTION MAINS	0.00	205,056.02	0.00	205,056.02	4,101.12	47,162.88	
	SL FM 50.00 Omit Active New Not Listed	13	153,792.02	0.00	100.00%		51,264.00	
12/31/86	WATER DISTRIBUTION MAINS	0.00	94,985.56	0.00	94,985.56	1,899.71	19,946.96	
	SL FM 50.00 Omit Active New Not Listed	12	73,138.89	0.00	100.00%		21,846.67	
12/30/87	WATER SIDTRIBUTION MAINS	0.00	252,202.32	0.00	252,202.32	5,044.05	48,338.74	
	SL FM 50.00 Omit Active New Not Listed	11	198,819.53	0.00	100.00%		53,382.79	
12/31/87	WATER DISTRIBUTION MAINS	0.00	84,945.59	0.00	84,945.59	1,698.91	16,281.22	
	SL FM 50.00 Omit Active New Not Listed	11	66,965.46	0.00	100.00%		17,980.13	
01/01/89	WATER DISTRIBUTION MAINS	0.00	53,014.66	0.00	53,014.66	1,060.29	9,012.47	
	SL FM 50.00 Omit Active New Not Listed	10	42,941.90	0.00	100.00%		10,072.76	
08/01/89	BRUNNERSTOWN RD OVERSIZING 6"-8"	0.00	10,000.00	0.00	10,000.00	200.00	1,583.33	
	SL FM 50.00 Omit Active New Not Listed	9	8,216.67	0.00	100.00%		1,783.33	
01/01/90	ADA AVE-NORA AVE AND MIDDLETON	0.00	20,585.76	0.00	20,585.76	411.72	3,087.85	
	SL FM 50.00 Omit Active New Not Listed	9	17,086.19	0.00	100.00%		3,499.57	
06/30/90	7700 FT 8" ZARING MILL ROAD	0.00	23,319.80	0.00	23,319.80	466.40	932.80	
	SL FM 50.00 Omit Active New Not Listed	9	21,920.60	0.00	100.00%		1,399.20	
01/01/91	WATER DISTRIBUTION MAINS	0.00	45,830.29	0.00	45,830.29	916.61	5,957.92	
	SL FM 50.00 Omit Active New Not Listed	8	38,955.76	0.00	100.00%		6,874.53	
07/01/91	WATER DISTRIBUTION MAINS (RPS AUDIT	0.00	158,543.28	0.00	158,543.28	3,170.87	19,025.19	
	SL FM 50.00 Omit Active New Not Listed	7	136,347.22	0.00	100.00%		22,196.06	
07/01/91	03/91-DOT LEFT OFF 6/91 AUDIT	0.00	13,948.52	0.00	13,948.52	278.97	1,673.82	
	SL FM 50.00 Omit Active New Not Listed	7	11,995.73	0.00	100.00%		1,952.79	
07/01/91	ADDT'L POPES CORNER LEFT OFF 6/91	0.00	1,268.89	0.00	1,268.89	25.38	152.25	
	SL FM 50.00 Omit Active New Not Listed	7	1,091.26	0.00	100.00%		177.63	
01/01/92	WATER DISTRIBUTION MAINS	0.00	90,160.91	0.00	90,160.91	1,803.22	9,917.68	
	SL FM 50.00 Omit Active New Not Listed	7	78,440.01	0.00	100.00%		11,720.90	
01/01/93	WATER DIST MAINS	0.00	16,450.16	0.00	16,450.16	329.00	1,480.50	
	SL FM 50.00 Omit Active New Not Listed	6	14,640.66	0.00	100.00%		1,809.50	
01/01/93	JAILHILL RD EXTENSION	0.00	6,849.88	0.00	6,849.88	137.00	616.48	
	SL FM 50.00 Omit Active New Not Listed	6	6,096.40	0.00	100.00%		753.48	
01/01/94	WATER DISTRIBUTION MAINS	0.00	52,923.39	0.00	52,923.39	1,058.47	3,704.63	
	SL FM 50.00 Omit Active New Not Listed	5	48,160.29	0.00	100.00%		4,763.10	
01/01/95	WATER DIST MAINS	0.00	64,930.74	0.00	64,930.74	1,298.61	3,246.53	
	SL FM 50.00 Omit Active New Not Listed	4	60,385.60	0.00	100.00%		4,545.14	
12/31/96	WATER DISTRIBUTION MAINS	0.00	6,288.45	0.00	6,288.45	125.77	73.37	
	SL FM 50.00 Omit Active New Not Listed	2	6,089.31	0.00	100.00%		199.14	
06/03/97	TATUM RD-VAN DYKE RD 7 MILES	0.00	360,444.95	0.00	360,444.95	7,208.90	600.74	
	SL FM 50.00 Omit Active New Not Listed	2	352,635.31	0.00	100.00%		7,809.64	
01/01/98 (A)	WATER DISTRIBUTION MAINS	0.00	39,142.02	0.00	39,142.02	391.42	0.00	
	SL FM 50.00 Omit Active New Not Listed	1	38,750.60	0.00	100.00%		391.42	

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Method: 1 - FEDERAL

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
Totals for ASSET A/C#: 123		(66 assets)	3,679,167.38	0.00	3,679,167.38	73,191.94	1,328,269.92	0.00
			2,277,705.52	0.00			1,401,461.86	0.00
Summary For: 123			Cost	Section 179 +		Accum. Depr. =		Total
Beginning Balances			3,640,025.36		0.00	1,328,269.92	1,328,269.92	
+ Additions (A)			39,142.02	Curr. Depr.	0.00	73,191.94	73,191.94	
Subtotals			3,679,167.38		0.00	1,401,461.86	1,401,461.86	
- Disposals (D) and Trades (T)			0.00		0.00	0.00	0.00	
Ending Balances			3,679,167.38		0.00	1,401,461.86	1,401,461.86	

ASSET A/C#: 125 - SERVICES AND METERS

12/01/55	SERVICES AND METERS	0.00	152,853.25	0.00	152,853.25	0.00	152,853.25	
	SL MM 50.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		152,853.25	
12/01/59	SERVICES AND METERS	0.00	348.49	0.00	348.49	6.97	312.75	
	SL MM 50.00 Omit Active New Not Listed	39	28.77	0.00	100.00%		319.72	
12/01/68	SERVICES AND METERS	0.00	740.66	0.00	740.66	14.81	496.18	
	SL MM 50.00 Omit Active New Not Listed	30	229.67	0.00	100.00%		510.99	
06/30/79	METERS	0.00	17,634.87	0.00	17,634.87	352.70	9,620.75	
	SL MM 50.00 Omit Active New Not Listed	20	7,661.42	0.00	100.00%		9,973.45	
06/30/79	METERS	0.00	13,204.87	0.00	13,204.87	264.10	7,607.44	
	SL MM 50.00 Omit Active New Not Listed	20	5,333.33	0.00	100.00%		7,871.54	
12/31/79	SERVICES AND METERS	0.00	22,123.09	0.00	22,123.09	442.46	7,743.05	
	SL MM 50.00 Omit Active New Not Listed	19	13,937.58	0.00	100.00%		8,185.51	
12/31/80	SERVICES AND METERS	0.00	21,231.01	0.00	21,231.01	424.62	7,006.23	
	SL MM 50.00 Omit Active New Not Listed	18	13,800.16	0.00	100.00%		7,430.85	
12/31/81	SERVICES AND METERS	0.00	8,206.21	0.00	8,206.21	164.12	2,543.86	
	SL MM 50.00 Omit Active New Not Listed	17	5,498.23	0.00	100.00%		2,707.98	
12/31/82	SERVICES AND METERS	0.00	17,466.24	0.00	17,466.24	349.32	5,239.80	
	SL MM 50.00 Omit Active New Not Listed	16	11,877.12	0.00	100.00%		5,589.12	
12/31/83	SERVICES AND METERS	0.00	17,454.70	0.00	17,454.70	349.09	4,712.72	
	SL MM 50.00 Omit Active New Not Listed	15	12,392.89	0.00	100.00%		5,061.81	
12/31/84	SERVICES AND METERS	0.00	14,029.51	0.00	14,029.51	280.59	3,507.38	
	SL FM 50.00 Omit Active New Not Listed	14	10,241.54	0.00	100.00%		3,787.97	
12/31/85	SERVICES AND METERS	0.00	20,874.82	0.00	20,874.82	417.50	4,801.17	
	SL FM 50.00 Omit Active New Not Listed	13	15,656.15	0.00	100.00%		5,218.67	
12/31/86	SERVICES AND METERS	0.00	33,569.37	0.00	33,569.37	671.39	7,049.51	
	SL FM 50.00 Omit Active New Not Listed	12	25,848.47	0.00	100.00%		7,720.90	
12/31/87	SERVICES AND METERS	0.00	46,660.75	0.00	46,660.75	933.22	8,943.29	
	SL FM 50.00 Omit Active New Not Listed	11	36,784.24	0.00	100.00%		9,876.51	
01/01/89	SERVICE AND METERS	0.00	45,279.39	0.00	45,279.39	905.59	7,697.45	
	SL FM 50.00 Omit Active New Not Listed	10	36,676.35	0.00	100.00%		8,603.04	
01/01/90	SERVICE AND METERS	0.00	50,984.37	0.00	50,984.37	1,019.69	7,647.62	
	SL FM 50.00 Omit Active New Not Listed	9	42,317.06	0.00	100.00%		8,667.31	
01/01/91	SERVICES AND METERS	0.00	42,446.95	0.00	42,446.95	848.94	5,518.07	
	SL FM 50.00 Omit Active New Not Listed	8	36,079.94	0.00	100.00%		6,367.01	
01/01/92	SERVICES AND METERS	0.00	40,272.47	0.00	40,272.47	805.45	4,429.94	
	SL FM 50.00 Omit Active New Not Listed	7	35,037.08	0.00	100.00%		5,235.39	
01/01/93	SERVICES AND METERS	0.00	53,095.85	0.00	53,095.85	1,061.92	4,778.62	
	SL FM 50.00 Omit Active New Not Listed	6	47,255.31	0.00	100.00%		5,840.54	
01/01/94	SERVICES AND METERS	0.00	63,205.16	0.00	63,205.16	1,264.10	4,424.35	
	SL FM 50.00 Omit Active New Not Listed	5	57,516.71	0.00	100.00%		5,688.45	
01/01/95	SERVICES AND METERS	0.00	83,823.75	0.00	83,823.75	1,676.48	4,191.20	
	SL FM 50.00 Omit Active New Not Listed	4	77,956.07	0.00	100.00%		5,867.68	
01/01/96	SERVICES & METERS (128)	0.00	57,956.54	0.00	57,956.54	1,159.13	1,738.70	
	SL FM 50.00 Omit Active New Not Listed	3	55,058.71	0.00	100.00%		2,897.83	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 125 - SERVICES AND METERS								
12/31/96	SERVICES AND METERS	0.00	107,592.73	0.00	107,592.73	2,151.85	1,255.25	
	SL FM 50.00 Omit Active New Not Listed	2	104,185.63	0.00	100.00%		3,407.10	
01/01/98 (A)	SERVICES & METERS	0.00	91,231.13	0.00	91,231.13	912.31	0.00	
	SL FM 50.00 Omit Active New Not Listed	1	90,318.82	0.00	100.00%		912.31	
Totals for ASSET A/C#: 125 (24 assets)			1,022,286.18	0.00	1,022,286.18	16,476.35	264,118.58	0.00
			741,691.25	0.00			280,594.93	0.00

Summary For:	125	Cost	Section 179 +	Accum. Depr.	= Total
Beginning Balances	(23 assets)	931,055.05	0.00	264,118.58	264,118.58
+ Additions (A)	(1 assets)	91,231.13	Curr. Depr.	0.00	16,476.35
Subtotals		1,022,286.18	0.00	280,594.93	280,594.93
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(24 assets)	1,022,286.18	0.00	280,594.93	280,594.93

ASSET A/C#: 127 - HYDRANTS

12/01/55	HYDRANTS	0.00	27,924.62	0.00	27,924.62	558.49	23,143.44	
	SL MM 50.00 Omit Active New Not Listed	43	4,222.69	0.00	100.00%		23,701.93	
12/01/59	HYDRANTS	0.00	2,074.56	0.00	2,074.56	41.49	1,555.88	
	SL MM 50.00 Omit Active New Not Listed	39	477.19	0.00	100.00%		1,597.37	
12/01/60	HYDRANTS	0.00	1,180.14	0.00	1,180.14	23.60	861.40	
	SL MM 50.00 Omit Active New Not Listed	38	295.14	0.00	100.00%		885.00	
12/01/62	HYDRANTS	0.00	161.05	0.00	161.05	3.22	111.46	
	SL MM 50.00 Omit Active New Not Listed	36	46.37	0.00	100.00%		114.68	
12/01/66	HYDRANTS	0.00	314.32	0.00	314.32	6.29	194.91	
	SL MM 50.00 Omit Active New Not Listed	32	113.12	0.00	100.00%		201.20	
12/01/67	HYDRANTS	0.00	252.62	0.00	252.62	5.05	151.50	
	SL MM 50.00 Omit Active New Not Listed	31	96.07	0.00	100.00%		156.55	
12/01/68	HYDRANTS	0.00	421.32	0.00	421.32	8.43	244.39	
	SL MM 50.00 Omit Active New Not Listed	30	168.50	0.00	100.00%		252.82	
12/01/69	HYDRANTS	0.00	519.13	0.00	519.13	10.38	297.59	
	SL MM 50.00 Omit Active New Not Listed	29	211.16	0.00	100.00%		307.97	
12/01/70	HYDRANTS	0.00	4,320.00	0.00	4,320.00	86.40	2,376.00	
	SL MM 50.00 Omit Active New Not Listed	28	1,857.60	0.00	100.00%		2,462.40	
12/01/70	HYDRANTS	0.00	811.04	0.00	811.04	16.22	437.94	
	SL MM 50.00 Omit Active New Not Listed	28	356.88	0.00	100.00%		454.16	
03/01/72	HYDRANTS	0.00	10,937.32	0.00	10,937.32	218.75	5,523.36	
	SL MM 50.00 Omit Active New Not Listed	27	5,195.21	0.00	100.00%		5,742.11	
07/01/72	HYDRANTS	0.00	948.70	0.00	948.70	18.97	472.67	
	SL MM 50.00 Omit Active New Not Listed	26	457.06	0.00	100.00%		491.64	
08/01/72	HYDRANTS	0.00	3,236.10	0.00	3,236.10	64.72	1,607.22	
	SL MM 50.00 Omit Active New Not Listed	26	1,564.16	0.00	100.00%		1,671.94	
09/01/72	HYDRANTS	0.00	1,310.42	0.00	1,310.42	26.21	648.62	
	SL MM 50.00 Omit Active New Not Listed	26	635.59	0.00	100.00%		674.83	
10/01/72	HYDRANTS	0.00	995.49	0.00	995.49	19.91	491.03	
	SL MM 50.00 Omit Active New Not Listed	26	484.55	0.00	100.00%		510.94	
03/01/73	HYDRANTS	0.00	3,564.38	0.00	3,564.38	71.29	1,728.70	
	SL MM 50.00 Omit Active New Not Listed	26	1,764.39	0.00	100.00%		1,799.99	
05/01/73	HYDRANTS	0.00	3,774.67	0.00	3,774.67	75.49	1,818.05	
	SL MM 50.00 Omit Active New Not Listed	26	1,881.13	0.00	100.00%		1,893.54	
12/01/73	HYDRANTS	0.00	5,320.88	0.00	5,320.88	106.42	2,500.79	
	SL MM 50.00 Omit Active New Not Listed	25	2,713.67	0.00	100.00%		2,607.21	
12/01/74	HYDRANTS	0.00	9,457.77	0.00	9,457.77	189.16	4,256.01	
	SL MM 50.00 Omit Active New Not Listed	24	5,012.60	0.00	100.00%		4,445.17	
12/01/75	HYDRANTS	0.00	6,465.77	0.00	6,465.77	129.32	2,780.29	
	SL MM 50.00 Omit Active New Not Listed	23	3,556.16	0.00	100.00%		2,909.61	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 127 - HYDRANTS								
12/01/76	HYDRANTS		0.00	7,443.88	0.00	7,443.88	148.88	3,051.96
	SL MM 50.00 Omit Active New Not Listed	22	4,243.04	0.00	100.00%			3,200.84
06/30/79	HYDRANTS		0.00	620.11	0.00	620.11	12.40	224.23
	SL MM 50.00 Omit Active New Not Listed	20	383.48	0.00	100.00%			236.63
12/31/80	HYDRANTS		0.00	1,696.63	0.00	1,696.63	33.93	559.85
	SL MM 50.00 Omit Active New Not Listed	18	1,102.85	0.00	100.00%			593.78
06/01/82	HYDRANTS		0.00	166.80	0.00	166.80	3.34	50.30
	SL MM 50.00 Omit Active New Not Listed	17	113.16	0.00	100.00%			53.64
12/31/82	HYDRANTS		0.00	2,664.00	0.00	2,664.00	53.28	799.20
	SL MM 50.00 Omit Active New Not Listed	16	1,811.52	0.00	100.00%			852.48
12/31/83	HYDRANTS		0.00	733.19	0.00	733.19	14.66	197.91
	SL MM 50.00 Omit Active New Not Listed	15	520.62	0.00	100.00%			212.57
12/31/84	HYDRANTS		0.00	3,825.92	0.00	3,825.92	76.52	956.42
	SL FM 50.00 Omit Active New Not Listed	14	2,792.98	0.00	100.00%			1,032.94
12/31/85	HYDRANTS		0.00	3,410.03	0.00	3,410.03	68.20	784.30
	SL FM 50.00 Omit Active New Not Listed	13	2,557.53	0.00	100.00%			852.50
12/31/86	HYDRANTS		0.00	2,027.32	0.00	2,027.32	40.55	425.69
	SL FM 50.00 Omit Active New Not Listed	12	1,561.08	0.00	100.00%			466.24
12/31/87	HYDRANTS		0.00	8,528.16	0.00	8,528.16	170.56	1,634.54
	SL FM 50.00 Omit Active New Not Listed	11	6,723.06	0.00	100.00%			1,805.10
05/01/90	HYDRANTS		0.00	888.26	0.00	888.26	17.77	127.30
	SL FM 50.00 Omit Active New Not Listed	9	743.19	0.00	100.00%			145.07
03/01/91	HYDRANTS		0.00	7,107.98	0.00	7,107.98	142.16	900.31
	SL FM 50.00 Omit Active New Not Listed	8	6,065.51	0.00	100.00%			1,042.47
01/01/92	HYDRANTS		0.00	3,266.92	0.00	3,266.92	65.34	359.34
	SL FM 50.00 Omit Active New Not Listed	7	2,842.24	0.00	100.00%			424.68
01/01/93	HYDRANTS		0.00	6,439.73	0.00	6,439.73	128.79	579.56
	SL FM 50.00 Omit Active New Not Listed	6	5,731.38	0.00	100.00%			708.35
01/01/94	HYDRANTS		0.00	10,015.59	0.00	10,015.59	200.31	701.09
	SL FM 50.00 Omit Active New Not Listed	5	9,114.19	0.00	100.00%			901.40
01/01/95	2 HYDRANTS		0.00	1,281.50	0.00	1,281.50	25.63	64.07
	SL FM 50.00 Omit Active New Not Listed	4	1,191.80	0.00	100.00%			89.70
01/01/96	HYDRANTS		0.00	5,727.21	0.00	5,727.21	114.54	171.81
	SL FM 50.00 Omit Active New Not Listed	3	5,440.86	0.00	100.00%			286.35
12/31/96	HYDRANTS		0.00	3,390.07	0.00	3,390.07	67.80	39.55
	SL FM 50.00 Omit Active New Not Listed	2	3,282.72	0.00	100.00%			107.35
06/03/97	HYDRANTS - TATUM RD VAN DYKE		0.00	9,406.40	0.00	9,406.40	188.13	15.68
	SL FM 50.00 Omit Active New Not Listed	2	9,202.59	0.00	100.00%			203.81
01/01/98 (A)	HYDRANTS		0.00	4,807.74	0.00	4,807.74	48.08	0.00
	SL FM 50.00 Omit Active New Not Listed	1	4,759.66	0.00	100.00%			48.08
Totals for ASSET A/C#: 127				167,437.74	0.00	167,437.74	3,300.68	62,844.36
				101,292.70	0.00			66,145.04

Summary For: 127

	Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances (39 assets)	162,630.00	0.00	62,844.36	62,844.36
+ Additions (A) (1 assets)	4,807.74	Curr. Depr. 0.00	3,300.68	3,300.68
Subtotals	167,437.74	0.00	66,145.04	66,145.04
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (40 assets)	167,437.74	0.00	66,145.04	66,145.04

ASSET A/C#: 128 - SAFETY EQUIPMENT

11/30/85	SAFTERY EQUIPMENT		0.00	6,877.75	0.00	6,877.75	0.00	6,877.75
	SL FM 10.00 Omit Active New Not Listed	13	0.00	0.00	100.00%			6,877.75
02/10/88	FIRE EXTINGUISHER		0.00	153.80	0.00	153.80	0.00	153.80
	SL FM 5.00 Omit Active New Not Listed	11	0.00	0.00	100.00%			153.80

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 128 - SAFETY EQUIPMENT								
01/01/89	VARIOUS SAFTERY EQUIPMENT	0.00	624.30	0.00	624.30	62.43	530.65	
	SL FM 10.00 Omit Active New Not Listed	10	31.22	0.00	100.00%		593.08	
06/01/90	TRAFFIC CONES, HARD HATS,	0.00	1,237.21	0.00	1,237.21	123.72	927.90	
	SL FM 10.00 Omit Active New Not Listed	9	185.59	0.00	100.00%		1,051.62	
03/01/91	RAINSUITS, CHLORINE EMERG KIT, SIGN	0.00	2,183.29	0.00	2,183.29	218.33	1,419.10	
	SL FM 10.00 Omit Active New Not Listed	8	545.86	0.00	100.00%		1,837.43	
01/01/92	SIGNS, HARD HATS, ORANGE	0.00	1,091.65	0.00	1,091.65	109.17	600.40	
	SL FM 10.00 Omit Active New Not Listed	7	382.08	0.00	100.00%		709.57	
12/09/92	FIRE EXTINGUISHER	0.00	89.50	0.00	89.50	12.79	57.50	
	SL FM 7.00 Omit Active New Not Listed	6	19.21	0.00	100.00%		70.29	
06/09/93	CHLORINE EMERGENCY KIT	0.00	1,477.47	0.00	1,477.47	147.75	664.85	
	SL FM 10.00 Omit Active New Not Listed	6	664.87	0.00	100.00%		812.60	
01/01/94	VARIOUS SAFETY EQUIPMENT	0.00	3,033.07	0.00	3,033.07	303.31	1,061.57	
	SL FM 10.00 Omit Active New Not Listed	5	1,668.19	0.00	100.00%		1,364.88	
08/09/94	2 AIR PACKS	0.00	2,040.00	0.00	2,040.00	204.00	510.00	
	SL FM 10.00 Omit Active New Not Listed	4	1,328.00	0.00	100.00%		714.00	
11/14/95	2 LADDERS	0.00	480.00	0.00	480.00	48.00	72.00	
	SL FM 10.00 Omit Active New Not Listed	3	360.00	0.00	100.00%		120.00	
03/13/98 (A)	CHLORINE MONITOR ACUTEX	0.00	1,209.58	0.00	1,209.58	86.40	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	1,123.18	0.00	100.00%		86.40	
Totals for ASSET A/C#: 128 (12 assets)			20,497.62	0.00	20,497.62	1,315.90	12,875.52	0.00
			6,306.20	0.00			14,191.42	0.00

Summary For:	128	Cost	Section 179 +	Accum. Depr.	= Total
Beginning Balances	(11 assets)	19,288.04	0.00	12,875.52	12,875.52
+ Additions (A)	(1 assets)	1,209.58	Curr. Depr. 0.00	1,315.90	1,315.90
Subtotals		20,497.62	0.00	14,191.42	14,191.42
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(12 assets)	20,497.62	0.00	14,191.42	14,191.42

ASSET A/C#: 129 - OFFICE EQUIPMENT

12/01/55	OFFICE EQUIPMENT	0.00	2,772.24	0.00	2,772.24	0.00	2,772.24	
	SL MM 10.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		2,772.24	
12/01/59	OFFICE EQUIPMENT	0.00	666.39	0.00	666.39	0.00	666.39	
	SL FM 10.00 Omit Active New Not Listed	39	0.00	0.00	100.00%		666.39	
12/01/60	OFFICE EQUIPMENT	0.00	1,414.91	0.00	1,414.91	0.00	1,414.91	
	SL FM 10.00 Omit Active New Not Listed	38	0.00	0.00	100.00%		1,414.91	
12/01/61	OFFICE EQUIPMENT	0.00	94.74	0.00	94.74	0.00	94.74	
	SL FM 10.00 Omit Active New Not Listed	37	0.00	0.00	100.00%		94.74	
12/01/62	OFFICE EQUIPMENT	0.00	105.34	0.00	105.34	0.00	105.34	
	SL FM 10.00 Omit Active New Not Listed	36	0.00	0.00	100.00%		105.34	
12/01/63	OFFICE EQUIPMENT	0.00	100.00	0.00	100.00	0.00	100.00	
	SL FM 10.00 Omit Active New Not Listed	35	0.00	0.00	100.00%		100.00	
12/01/64	OFFICE EQUIPMENT	0.00	3,289.92	0.00	3,289.92	0.00	3,289.92	
	SL FM 10.00 Omit Active New Not Listed	34	0.00	0.00	100.00%		3,289.92	
12/01/65	OFFICE EQUIPMENT	0.00	2,399.60	0.00	2,399.60	0.00	2,399.60	
	SL FM 10.00 Omit Active New Not Listed	33	0.00	0.00	100.00%		2,399.60	
12/01/68	OFFICE EQUIPMENT	0.00	647.00	0.00	647.00	0.00	647.00	
	SL FM 10.00 Omit Active New Not Listed	30	0.00	0.00	100.00%		647.00	
12/01/68	OFFICE EQUIPMENT	0.00	5,102.42	0.00	5,102.42	0.00	5,102.42	
	SL FM 10.00 Omit Active New Not Listed	30	0.00	0.00	100.00%		5,102.42	
12/01/70	OFFICE EQUIPMENT	0.00	62.50	0.00	62.50	0.00	62.50	
	SL FM 10.00 Omit Active New Not Listed	28	0.00	0.00	100.00%		62.50	
03/01/72	LIGHT	0.00	21.37	0.00	21.37	0.00	21.37	
	SL FM 10.00 Omit Active New Not Listed	27	0.00	0.00	100.00%		21.37	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 129 - OFFICE EQUIPMENT								
01/01/75	COPY MACHINE	0.00	1,541.90	0.00	1,541.90	0.00	1,541.90	
	SL FM 10.00 Omit Active New Not Listed	24	0.00	0.00	100.00%		1,541.90	
01/01/75	WATER PLT STOVE	0.00	564.90	0.00	564.90	0.00	564.90	
	SL FM 10.00 Omit Active New Not Listed	24	0.00	0.00	100.00%		564.90	
01/01/75	WATER P & AIR COND	0.00	345.00	0.00	345.00	0.00	345.00	
	SL FM 10.00 Omit Active New Not Listed	24	0.00	0.00	100.00%		345.00	
05/31/80	COMPUTER	0.00	22,500.00	0.00	22,500.00	0.00	22,500.00	
	SL FM 10.00 Omit Active New Not Listed	19	0.00	0.00	100.00%		22,500.00	
10/01/80	ALARM SYSTEM	0.00	1,490.00	0.00	1,490.00	0.00	1,490.00	
	SL FM 10.00 Omit Active New Not Listed	3	0.00	0.00	100.00%		1,490.00	
06/01/84	OFFICE EQUIPMENT	0.00	616.00	0.00	616.00	0.00	616.00	
	SL FM 5.00 Omit Active New Not Listed	15	0.00	0.00	100.00%		616.00	
12/31/84	OFFICE EQUIPMENT-SCHEDULE	0.00	1,811.54	0.00	1,811.54	0.00	1,811.54	
	SL FM 5.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		1,811.54	
06/30/86	PHONE, DESK & CHAIR	0.00	312.44	0.00	312.44	0.00	312.44	
	SL FM 10.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		312.44	
08/01/86	AIR COND. FOR SHOP	0.00	296.00	0.00	296.00	0.00	296.00	
	SL FM 10.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		296.00	
09/01/86	WATER COOLER/SHOP	0.00	267.65	0.00	267.65	0.00	267.65	
	SL FM 10.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		267.65	
08/01/87	FILE CABINET, CHAIR (ROLAND)	0.00	248.06	0.00	248.06	12.44	235.62	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		248.06	
11/01/87	CABINETS (WATER PLANT)	0.00	440.88	0.00	440.88	22.10	418.78	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		440.88	
01/01/88	2 LAB CHAIRS (WPT)	0.00	199.80	0.00	199.80	9.99	189.81	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		199.80	
06/01/88	MITA 2055 COPY MACHINE	0.00	2,298.05	0.00	2,298.05	114.93	2,183.12	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		2,298.05	
06/01/88	FILE CABINETS (GARY)	0.00	176.00	0.00	176.00	8.80	167.20	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		176.00	
06/01/88	FILE CABINET (GENE)	0.00	147.31	0.00	147.31	7.38	139.93	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		147.31	
03/20/89	COMPUTER	0.00	23,665.00	0.00	23,665.00	2,366.50	14,724.85	
	SL FM 10.00 Omit Active New Not Listed	10	6,573.65	0.00	100.00%		17,091.35	
08/01/89	2 WORKSTATIONS	0.00	621.35	0.00	621.35	62.14	465.99	
	SL FM 10.00 Omit Active New Not Listed	9	93.22	0.00	100.00%		528.13	
09/01/89	CABINET FOR SHOP	0.00	206.83	0.00	206.83	20.68	155.10	
	SL FM 10.00 Omit Active New Not Listed	9	31.05	0.00	100.00%		175.78	
11/01/89	STORAGE CABINET @ PUMP STATION	0.00	165.02	0.00	165.02	16.50	123.75	
	SL FM 10.00 Omit Active New Not Listed	9	24.77	0.00	100.00%		140.25	
06/01/90	KODAK AMT PRJECTOR	0.00	541.84	0.00	541.84	54.18	406.35	
	SL FM 10.00 Omit Active New Not Listed	9	81.31	0.00	100.00%		460.53	
10/15/90	FURNITURE	0.00	35,320.50	0.00	35,320.50	3,532.05	22,958.32	
	SL FM 10.00 Omit Active New Not Listed	8	8,830.13	0.00	100.00%		26,490.37	
01/01/92	COMPUTER (ROLAND)	0.00	1,400.00	0.00	1,400.00	200.00	1,100.00	
	SL FM 7.00 Omit Active New Not Listed	7	100.00	0.00	100.00%		1,300.00	
04/14/93	VCR	0.00	149.86	0.00	149.86	0.00	149.86	
	SL FM 3.00 Omit Active New Not Listed	6	0.00	0.00	100.00%		149.86	
12/15/93	UPGRADE COMPUTER	0.00	1,145.00	0.00	1,145.00	0.00	1,145.00	
	SL FM 3.00 Omit Active New Not Listed	5	0.00	0.00	100.00%		1,145.00	
12/15/93	PAGER	0.00	408.43	0.00	408.43	58.35	204.21	
	SL FM 7.00 Omit Active New Not Listed	5	145.87	0.00	100.00%		262.56	
04/12/94	TV STAND	0.00	134.90	0.00	134.90	19.27	67.44	
	SL FM 7.00 Omit Active New Not Listed	5	48.19	0.00	100.00%		86.71	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 129 - OFFICE EQUIPMENT								
03/14/95	FAX MACHINE & HOOKUP	0.00	2,050.00	0.00	2,050.00	205.00	512.50	
	SL FM 10.00 Omit Active New Not Listed	4	1,332.50	0.00	100.00%		717.50	
10/10/95	FILE CABINET	0.00	329.25	0.00	329.25	32.93	49.39	
	SL FM 10.00 Omit Active New Not Listed	3	246.93	0.00	100.00%		82.32	
12/13/95	NEW COMPUTER (GENE)	0.00	2,435.00	0.00	2,435.00	487.00	730.50	
	SL FM 5.00 Omit Active New Not Listed	3	1,217.50	0.00	100.00%		1,217.50	
02/13/96	FILE CABINET	0.00	329.25	0.00	329.25	32.93	49.39	
	SL FM 10.00 Omit Active New Not Listed	3	246.93	0.00	100.00%		82.32	
02/13/96	PRINTER	0.00	675.00	0.00	675.00	135.00	202.50	
	SL FM 5.00 Omit Active New Not Listed	3	337.50	0.00	100.00%		337.50	
08/14/96	DESK-WATER PLANT	0.00	314.00	0.00	314.00	31.40	15.70	
	SL FM 10.00 Omit Active New Not Listed	2	266.90	0.00	100.00%		47.10	
08/14/96	PRINTER, PC AND MONITOR	0.00	3,445.00	0.00	3,445.00	689.00	344.50	
	SL FM 5.00 Omit Active New Not Listed	2	2,411.50	0.00	100.00%		1,033.50	
11/14/96	PRINTER AND SOFTWARE	0.00	3,285.00	0.00	3,285.00	657.00	328.50	
	SL FM 5.00 Omit Active New Not Listed	2	2,299.50	0.00	100.00%		985.50	
01/15/97	PAGERS	0.00	727.71	0.00	727.71	72.77	36.39	
	SL FM 10.00 Omit Active New Not Listed	2	618.55	0.00	100.00%		109.16	
01/15/97	PRINTER	0.00	3,440.00	0.00	3,440.00	688.00	344.00	
	SL FM 5.00 Omit Active New Not Listed	2	2,408.00	0.00	100.00%		1,032.00	
01/15/97	PRINTER STAND	0.00	417.00	0.00	417.00	41.70	20.85	
	SL FM 10.00 Omit Active New Not Listed	2	354.45	0.00	100.00%		62.55	
05/13/97	PHONE	0.00	325.65	0.00	325.65	65.13	32.57	
	SL FM 5.00 Omit Active New Not Listed	2	227.95	0.00	100.00%		97.70	
06/10/97	CAMERA	0.00	113.39	0.00	113.39	22.68	11.34	
	SL FM 5.00 Omit Active New Not Listed	2	79.37	0.00	100.00%		34.02	
09/09/97 (A)	CHAIR	0.00	310.00	0.00	310.00	22.14	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	287.86	0.00	100.00%		22.14	
11/11/97 (A)	DESK	0.00	386.00	0.00	386.00	27.57	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	358.43	0.00	100.00%		27.57	
11/11/97 (A)	DESK DRAWER	0.00	48.00	0.00	48.00	3.43	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	44.57	0.00	100.00%		3.43	
Totals for ASSET A/C#: 129								
			(55 assets)					
			132,320.94	0.00	132,320.94	9,718.99	93,935.32	0.00
			28,666.63	0.00			103,654.31	0.00

Summary For: 129

	Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances (52 assets)	131,576.94	0.00	93,935.32	93,935.32
+ Additions (A) (3 assets)	744.00	Curr. Depr. 0.00	9,718.99	9,718.99
Subtotals	132,320.94	0.00	103,654.31	103,654.31
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (55 assets)	132,320.94	0.00	103,654.31	103,654.31

ASSET A/C#: 131 - TRANSPORTATION EQUIPMENT

09/01/74	DODGE TRUCK	0.00	3,324.27	0.00	3,324.27	0.00	3,324.27	
	SL FM 4.00 Omit Active New Not Listed	24	0.00	0.00	100.00%		3,324.27	
11/01/74	FORD DUMP	0.00	5,749.00	0.00	4,881.52	0.00	4,881.52	
	SL FM 4.00 Omit Active New Not Listed	24	867.48	867.48	100.00%		4,881.52	
12/30/78	FORD F700	0.00	6,975.00	0.00	5,940.00	0.00	5,940.00	
	SL FM 5.00 Omit Active New Not Listed	20	1,035.00	1,035.00	100.00%		5,940.00	
04/01/80	ENGINE	0.00	1,279.65	0.00	1,279.65	0.00	1,279.65	
	SL FM 3.00 Omit Active New Not Listed	19	0.00	0.00	100.00%		1,279.65	
09/30/82	1983 FORD F100	0.00	6,691.33	0.00	6,691.33	0.00	6,691.33	
	SL FM 5.00 Omit Active New Not Listed	16	0.00	0.00	100.00%		6,691.33	
10/31/82	TRUCK RADIO	0.00	540.00	0.00	420.00	0.00	420.00	
	SL FM 3.00 Omit Active New Not Listed	16	120.00	120.00	100.00%		420.00	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 131 - TRANSPORTATION EQUIPMENT								
08/01/84	TRUCK RADIO-STOUT	0.00	714.00	0.00	674.33	0.00	674.33	
	SL FM 3.00 Omit Active New Not Listed	14	39.67	39.67	100.00%		674.33	
05/01/85	CHEVY C60 SLUDGE TRUCK	0.00	17,676.29	0.00	17,676.29	0.00	17,676.29	
	SL FM 8.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		17,676.29	
08/14/85	161-18HP BOAT	0.00	900.00	0.00	900.00	0.00	900.00	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		900.00	
09/12/85	79 FORD COURIER PU	0.00	2,458.50	0.00	2,458.50	0.00	2,458.50	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		2,458.50	
12/16/85	1986 D-350 1 TON TRUCK	0.00	10,364.37	0.00	10,364.37	0.00	10,364.37	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		10,364.37	
01/01/86	UTIL. BODY CRANE	0.00	7,100.00	0.00	7,100.00	0.00	7,100.00	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		7,100.00	
08/01/86	TRUCK RADIO-ROLAND	0.00	824.00	0.00	824.00	0.00	824.00	
	SL FM 3.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		824.00	
06/01/87	87 DODGE	0.00	10,090.00	0.00	10,090.00	0.00	10,090.00	
	SL FM 5.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		10,090.00	
06/01/87	UTIL STORAGE BOX-TRUCK	0.00	245.92	0.00	245.92	0.00	245.92	
	SL FM 5.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		245.92	
10/01/87	PAGER WITH CHARGER	0.00	375.00	0.00	375.00	0.00	375.00	
	SL FM 5.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		375.00	
11/01/87	PALLET TRUCK	0.00	375.00	0.00	375.00	18.75	356.25	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		375.00	
02/01/88	BOAT TRAILER	0.00	250.00	0.00	250.00	0.00	250.00	
	SL FM 5.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		250.00	
08/01/88	TRAILER	0.00	1,175.00	0.00	1,175.00	0.00	1,175.00	
	SL FM 7.00 Omit Active New Not Listed	10	0.00	0.00	100.00%		1,175.00	
10/01/88	RADIO, ANTENNA & MICROPHONE	0.00	865.00	0.00	865.00	0.00	865.00	
	SL FM 7.00 Omit Active New Not Listed	10	0.00	0.00	100.00%		865.00	
09/01/89	1990 GMC SIERRA 1/2 TON-CASEY	0.00	11,265.18	0.00	11,265.18	0.00	11,265.18	
	SL FM 7.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		11,265.18	
09/01/89	KENWOOD TK220 RADIO	0.00	837.00	0.00	837.00	0.00	837.00	
	SL FM 7.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		837.00	
10/01/89	STANDARD MOBILE IN TRUCK 19	0.00	597.50	0.00	597.50	0.00	597.50	
	SL FM 7.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		597.50	
05/01/90	TK 705 MIKE AND SPEAKER	0.00	575.00	0.00	575.00	0.00	575.00	
	SL FM 7.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		575.00	
06/01/90	TK 220 RADIO AND CHARGER	0.00	594.00	0.00	594.00	0.00	594.00	
	SL FM 7.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		594.00	
08/01/90	CHEVY DUMP TRUCK	0.00	21,539.05	0.00	21,539.05	1,538.53	20,000.52	
	SL FM 7.00 Omit Active New Not Listed	8	0.00	0.00	100.00%		21,539.05	
04/01/91	91' 1/2 TON PICKUP TRUCK	0.00	12,138.64	0.00	12,138.64	867.06	11,271.58	
	SL FM 7.00 Omit Active New Not Listed	8	0.00	0.00	100.00%		12,138.64	
01/01/92	91 CIERA	0.00	8,800.00	0.00	8,800.00	1,257.14	6,914.27	
	SL FM 7.00 Omit Active New Not Listed	7	628.59	0.00	100.00%		8,171.41	
01/01/92	RADIO (GENE)	0.00	121.00	0.00	121.00	17.29	95.06	
	SL FM 7.00 Omit Active New Not Listed	7	8.65	0.00	100.00%		112.35	
01/01/92	1992 GMC JIMMY (ROLAND)	0.00	14,737.55	0.00	14,737.55	2,105.36	11,579.48	
	SL FM 7.00 Omit Active New Not Listed	7	1,052.71	0.00	100.00%		13,684.84	
01/01/92	1992 DUMP TRUCK	0.00	26,015.00	0.00	26,015.00	3,716.43	20,440.33	
	SL FM 7.00 Omit Active New Not Listed	7	1,858.24	0.00	100.00%		24,156.76	
01/01/92	TARP FOR DUMP TRUCK	0.00	322.73	0.00	322.73	46.10	253.55	
	SL FM 7.00 Omit Active New Not Listed	7	23.08	0.00	100.00%		299.65	
09/29/92	1993 4x4 3/4 TON GMC PICKUP	0.00	17,764.77	0.00	17,764.77	2,537.82	11,420.19	
	SL FM 7.00 Omit Active New Not Listed	6	3,806.76	0.00	100.00%		13,958.01	

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ASSET A/C#: 131 - TRANSPORTATION EQUIPMENT								
04/20/93	1993 1 TON PICKUP-WAUTILITY BODY	0.00	17,707.65	0.00	17,707.65	2,529.66	11,383.47	
	SL FM 7.00 Omit Active New Not Listed	6	3,794.52	0.00	100.00%		13,913.13	
02/15/94	NEW RADIO CHARGER & PAGER	0.00	1,019.35	0.00	1,019.35	145.62	509.67	
	SL FM 7.00 Omit Active New Not Listed	5	364.06	0.00	100.00%		655.29	
08/09/94	RADIO	0.00	374.25	0.00	374.25	37.43	93.57	
	SL FM 10.00 Omit Active New Not Listed	4	243.25	0.00	100.00%		131.00	
08/09/95	1995 GMC PICKUP	0.00	13,830.20	0.00	13,830.20	1,975.74	2,963.61	
	SL FM 7.00 Omit Active New Not Listed	3	8,890.85	0.00	100.00%		4,939.35	
08/09/95	1995 GMC 4X4 PICKUP	0.00	17,371.58	0.00	17,371.58	2,481.65	3,722.48	
	SL FM 7.00 Omit Active New Not Listed	3	11,167.45	0.00	100.00%		6,204.13	
09/13/95	TOOL KIT ON TRUCK	0.00	594.99	0.00	594.99	59.50	89.25	
	SL FM 10.00 Omit Active New Not Listed	3	446.24	0.00	100.00%		148.75	
11/15/95	NEW MOTOR IN 1985 CHEVY (SLUDGE	0.00	4,803.11	0.00	4,803.11	686.16	1,029.24	
	SL FM 7.00 Omit Active New Not Listed	3	3,087.71	0.00	100.00%		1,715.40	
01/29/98 (A)	CHEVY BLAZER 4X4 1998	0.00	22,798.44	0.00	22,798.44	1,628.46	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	21,169.98	0.00	100.00%		1,628.46	
02/10/98 (A)	RADIO-GENE	0.00	1,045.25	0.00	1,045.25	74.66	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	970.59	0.00	100.00%		74.66	
02/11/98 (A)	CHEVY PICKUP 1998	0.00	18,779.50	0.00	18,779.50	1,341.39	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	17,438.11	0.00	100.00%		1,341.39	
03/13/98 (A)	TOOL BOX FOR NEW TRUCK	0.00	629.98	0.00	629.98	45.00	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	584.98	0.00	100.00%		45.00	
03/13/98 (A)	RADIO & PAGER	0.00	1,207.30	0.00	1,207.30	86.24	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	1,121.06	0.00	100.00%		86.24	
Totals for ASSET A/C#: 131 (45 assets)			293,441.35	0.00	291,379.20	23,195.99	191,526.38	0.00
			78,718.98	2,062.15			214,722.37	0.00

Summary For: 131

	Cost	Section 179 +	Accum. Depr.	= Total
Beginning Balances (40 assets)	248,980.88	0.00	191,526.38	191,526.38
+ Additions (A) (5 assets)	44,460.47	Curr. Depr. 0.00	23,195.99	23,195.99
Subtotals	293,441.35	0.00	214,722.37	214,722.37
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (45 assets)	293,441.35	0.00	214,722.37	214,722.37

ASSET A/C#: 133 - SHOPE EQUIPMENT

12/01/55	SHOP EQUIPMENT-1995	0.00	25,104.05	0.00	25,104.05	0.00	25,104.05	
	SL FM 10.00 Omit Active New Not Listed	43	0.00	0.00	100.00%		25,104.05	
12/01/68	SHOP EQUIPMENT	0.00	47.94	0.00	47.94	0.00	47.94	
	SL FM 10.00 Omit Active New Not Listed	30	0.00	0.00	100.00%		47.94	
12/01/69	SHOP EQUIPMENT	0.00	283.08	0.00	283.08	0.00	283.08	
	SL FM 10.00 Omit Active New Not Listed	29	0.00	0.00	100.00%		283.08	
12/01/70	SHOP EQUIPMENT	0.00	1,287.23	0.00	1,287.23	0.00	1,287.23	
	SL FM 10.00 Omit Active New Not Listed	28	0.00	0.00	100.00%		1,287.23	
12/01/70	SHOP EQUIPMENT	0.00	834.57	0.00	834.57	0.00	834.57	
	SL FM 10.00 Omit Active New Not Listed	28	0.00	0.00	100.00%		834.57	
08/01/71	SHOP EQUIPMENT	0.00	73.50	0.00	73.50	0.00	73.50	
	SL FM 10.00 Omit Active New Not Listed	27	0.00	0.00	100.00%		73.50	
08/01/71	SAW MODEL 12/65	0.00	465.25	0.00	465.25	0.00	465.25	
	SL FM 10.00 Omit Active New Not Listed	27	0.00	0.00	100.00%		465.25	
05/01/74	LAWN MOWER	0.00	136.45	0.00	136.45	0.00	136.45	
	SL FM 5.00 Omit Active New Not Listed	25	0.00	0.00	100.00%		136.45	
05/01/75	GRINDER & STAND	0.00	206.87	0.00	206.87	0.00	206.87	
	SL FM 10.00 Omit Active New Not Listed	24	0.00	0.00	100.00%		206.87	
01/01/76	SEWER RODDER	0.00	7,777.95	0.00	7,777.95	0.00	7,777.95	
	SL FM 10.00 Omit Active New Not Listed	23	0.00	0.00	100.00%		7,777.95	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 133 - SHOPE EQUIPMENT								
07/01/76	1000 GALLON TANK	0.00	314.00	0.00	314.00	0.00	314.00	
	SL FM 10.00 Omit Active New Not Listed	22	0.00	0.00	100.00%		314.00	
08/01/76	WEED EATER	0.00	94.20	0.00	94.20	0.00	94.20	
	SL FM 10.00 Omit Active New Not Listed	22	0.00	0.00	100.00%		94.20	
08/01/77	TRENCHER	0.00	19,472.17	0.00	19,472.17	0.00	19,472.17	
	SL FM 10.00 Omit Active New Not Listed	21	0.00	0.00	100.00%		19,472.17	
03/31/80	TRACTOR, MOWER (1/2)	0.00	3,525.22	0.00	3,525.22	0.00	3,525.22	
	SL FM 10.00 Omit Active New Not Listed	19	0.00	0.00	100.00%		3,525.22	
08/01/80	GAS MASK (2)	0.00	1,411.20	0.00	1,411.20	0.00	1,411.20	
	SL FM 5.00 Omit Active New Not Listed	18	0.00	0.00	100.00%		1,411.20	
12/31/80	FENCE	0.00	2,767.00	0.00	2,767.00	0.00	2,767.00	
	SL FM 10.00 Omit Active New Not Listed	18	0.00	0.00	100.00%		2,767.00	
12/31/81	SEWER SAMPLER	0.00	4,326.51	0.00	4,326.51	0.00	4,326.51	
	SL FM 10.00 Omit Active New Not Listed	17	0.00	0.00	100.00%		4,326.51	
03/01/82	CASE TRACTOR-BACKHOE	0.00	27,574.00	0.00	27,574.00	0.00	27,574.00	
	SL FM 10.00 Omit Active New Not Listed	17	0.00	0.00	100.00%		27,574.00	
03/01/82	RADIO BASE	0.00	6,750.00	0.00	6,750.00	0.00	6,750.00	
	SL FM 5.00 Omit Active New Not Listed	17	0.00	0.00	100.00%		6,750.00	
05/31/83	2 WEEDEATERS	0.00	866.40	0.00	866.40	0.00	866.40	
	SL FM 3.00 Omit Active New Not Listed	16	0.00	0.00	100.00%		866.40	
12/31/83	SHOP EQUIPMENT	0.00	4,448.00	0.00	4,448.00	0.00	4,448.00	
	SL FM 5.00 Omit Active New Not Listed	15	0.00	0.00	100.00%		4,448.00	
12/31/84	SHOP EQUIPMENT	0.00	5,802.97	0.00	5,802.97	0.00	5,802.97	
	SL FM 5.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		5,802.97	
01/01/85	IR DIESEL AIR COMP	0.00	10,550.00	0.00	10,550.00	0.00	10,550.00	
	SL FM 5.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		10,550.00	
03/01/85	MARLOW PUMP	0.00	9,639.90	0.00	9,639.90	0.00	9,639.90	
	SL FM 5.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		9,639.90	
06/01/85	MOWER AND RIDING ATTCH	0.00	3,058.32	0.00	3,058.32	0.00	3,058.32	
	SL FM 5.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		3,058.32	
11/18/85	UPDATER RADIO SYSTEM	0.00	3,280.00	0.00	3,280.00	0.00	3,280.00	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		3,280.00	
12/31/85	SHOP TOOLS	0.00	1,222.08	0.00	1,222.08	0.00	1,222.08	
	SL FM 5.00 Omit Active New Not Listed	13	0.00	0.00	100.00%		1,222.08	
10/01/86	STEAM CLEANER	0.00	2,094.90	0.00	2,094.90	0.00	2,094.90	
	SL FM 5.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		2,094.90	
10/01/86	PREV MAINT KIT	0.00	1,122.60	0.00	1,122.60	0.00	1,122.60	
	SL FM 5.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		1,122.60	
12/31/86	SHOP TOOLS	0.00	3,955.05	0.00	3,955.05	0.00	3,955.05	
	SL FM 5.00 Omit Active New Not Listed	12	0.00	0.00	100.00%		3,955.05	
10/01/87	WATER HYDRANT FLOW TEST	0.00	979.00	0.00	979.00	48.95	930.05	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		979.00	
11/01/87	SPECTROPHOTOMETER	0.00	3,514.81	0.00	3,514.81	175.75	3,339.06	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		3,514.81	
11/01/87	DO METER & PROBE	0.00	1,470.51	0.00	1,470.51	73.54	1,396.97	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		1,470.51	
11/01/87	TURBIDITY METER	0.00	1,300.66	0.00	1,300.66	65.07	1,235.59	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		1,300.66	
12/30/87	SHOP TOOLS & EQUIPMENT	0.00	1,050.96	0.00	1,050.96	52.59	998.37	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		1,050.96	
06/01/88	FORD TRACTOR	0.00	6,895.00	0.00	6,895.00	344.75	6,550.25	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		6,895.00	
06/01/88	MOWER ATTACHMENT	0.00	875.00	0.00	875.00	43.75	831.25	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		875.00	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 133 - SHOPE EQUIPMENT								
06/01/88	MOWER	0.00	328.90	0.00	328.90	0.00	328.90	
	SL FM 5.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		328.90	
07/13/88	BATTERY OPERATED PRESSURE	0.00	453.41	0.00	453.41	45.34	385.39	
	SL FM 10.00 Omit Active New Not Listed	10	22.68	0.00	100.00%		430.73	
08/01/88	VOLTAGE TESTING METER	0.00	219.73	0.00	219.73	21.97	186.74	
	SL FM 10.00 Omit Active New Not Listed	10	11.02	0.00	100.00%		208.71	
08/01/88	DITCH WITCH	0.00	1,950.00	0.00	1,950.00	195.00	1,657.50	
	SL FM 10.00 Omit Active New Not Listed	10	97.50	0.00	100.00%		1,852.50	
09/01/88	TOOLS (SEARS)	0.00	57.99	0.00	57.99	0.00	57.99	
	SL FM 5.00 Omit Active New Not Listed	10	0.00	0.00	100.00%		57.99	
10/01/88	DITCH WITCH TRENCHER	0.00	7,900.00	0.00	7,900.00	790.00	6,715.00	
	SL FM 10.00 Omit Active New Not Listed	10	395.00	0.00	100.00%		7,505.00	
10/01/88	BUSHHOG BOX SCRAPER WITH TEETH	0.00	475.00	0.00	475.00	47.50	403.75	
	SL FM 10.00 Omit Active New Not Listed	10	23.75	0.00	100.00%		451.25	
10/13/88	PAGER - WATER PLANT	0.00	278.75	0.00	278.75	27.88	236.91	
	SL FM 10.00 Omit Active New Not Listed	10	13.96	0.00	100.00%		264.79	
11/10/88	TOOL BOXES ON NEW TRUCK	0.00	327.44	0.00	327.44	0.00	327.44	
	SL FM 7.00 Omit Active New Not Listed	10	0.00	0.00	100.00%		327.44	
11/19/88	NEW PORTABLE PRESSURE RECORDER	0.00	455.16	0.00	455.16	45.52	386.85	
	SL FM 10.00 Omit Active New Not Listed	10	22.79	0.00	100.00%		432.37	
05/10/89	16' ALUMINUM LADDER	0.00	77.99	0.00	77.99	7.80	66.23	
	SL FM 10.00 Omit Active New Not Listed	10	3.96	0.00	100.00%		74.03	
06/01/89	TRIMMER AND BLADE	0.00	433.69	0.00	433.69	43.37	368.58	
	SL FM 10.00 Omit Active New Not Listed	10	21.74	0.00	100.00%		411.95	
06/14/89	PNEUMATIC ROCK DRILL	0.00	1,580.00	0.00	1,580.00	158.00	1,343.00	
	SL FM 10.00 Omit Active New Not Listed	10	79.00	0.00	100.00%		1,501.00	
09/01/89	PIPE PUSHER, RODS AND PILOT	0.00	926.21	0.00	926.21	92.62	694.65	
	SL FM 10.00 Omit Active New Not Listed	9	138.94	0.00	100.00%		787.27	
09/01/89	TOOLS (SEARS)	0.00	168.45	0.00	168.45	0.00	168.45	
	SL FM 5.00 Omit Active New Not Listed	9	0.00	0.00	100.00%		168.45	
10/01/89	TRAILBLAZER MOWER	0.00	891.00	0.00	891.00	89.10	668.25	
	SL FM 10.00 Omit Active New Not Listed	9	133.65	0.00	100.00%		757.35	
06/01/90	FLOOR JACK (SEARS)	0.00	156.04	0.00	156.04	15.60	117.00	
	SL FM 10.00 Omit Active New Not Listed	9	23.44	0.00	100.00%		132.60	
09/01/90	WALK BEHIND SAW	0.00	1,439.29	0.00	1,439.29	143.93	935.50	
	SL FM 10.00 Omit Active New Not Listed	8	359.86	0.00	100.00%		1,079.43	
10/01/90	ASPHALT SAW BLADES	0.00	319.65	0.00	319.65	31.97	207.76	
	SL FM 10.00 Omit Active New Not Listed	8	79.92	0.00	100.00%		239.73	
12/01/90	TRENCHER	0.00	6,000.07	0.00	6,000.07	600.01	3,900.02	
	SL FM 10.00 Omit Active New Not Listed	8	1,500.04	0.00	100.00%		4,500.03	
05/01/91	RADIO FOR TRUCK	0.00	873.00	0.00	873.00	87.30	567.45	
	SL FM 10.00 Omit Active New Not Listed	8	218.25	0.00	100.00%		654.75	
06/01/91	TOOL BOXES (TRUCK)	0.00	553.02	0.00	553.02	39.52	513.50	
	SL FM 7.00 Omit Active New Not Listed	8	0.00	0.00	100.00%		553.02	
01/01/92	WEEDEATER	0.00	299.95	0.00	299.95	42.85	235.67	
	SL FM 7.00 Omit Active New Not Listed	7	21.43	0.00	100.00%		278.52	
09/10/92	CONCRETE BLADE	0.00	285.26	0.00	285.26	0.00	285.26	
	SL FM 2.00 Omit Active New Not Listed	6	0.00	0.00	100.00%		285.26	
11/11/92	PUSH RODS	0.00	902.82	0.00	902.82	128.97	580.36	
	SL FM 7.00 Omit Active New Not Listed	6	193.49	0.00	100.00%		709.33	
12/09/92	PAGER	0.00	408.23	0.00	408.23	58.32	262.41	
	SL FM 7.00 Omit Active New Not Listed	6	87.50	0.00	100.00%		320.73	
02/11/93	4 METER REASING TUBES	0.00	184.00	0.00	184.00	26.29	118.28	
	SL FM 7.00 Omit Active New Not Listed	6	39.43	0.00	100.00%		144.57	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 133 - SHOPE EQUIPMENT								
02/11/93	MOTOR FOR BACHHOE		6,350.08	0.00	6,350.08	907.15		4,082.17
	SL FM 7.00 Omit Active New Not Listed	6	1,360.76	0.00	100.00%			4,989.32
03/10/93	2 KEROSENE HEATERS		500.00	0.00	500.00	71.43		321.41
	SL FM 7.00 Omit Active New Not Listed	6	107.16	0.00	100.00%			392.84
05/12/93	SEWER JET		26,100.00	0.00	26,100.00	2,610.00		11,745.00
	SL FM 10.00 Omit Active New Not Listed	6	11,745.00	0.00	100.00%			14,355.00
05/12/93	MEGOMETER		253.71	0.00	253.71	36.24		163.08
	SL FM 7.00 Omit Active New Not Listed	6	54.39	0.00	100.00%			199.32
08/11/93	TEST EQUIP FOR GROUND METER		562.50	0.00	562.50	80.36		281.24
	SL FM 7.00 Omit Active New Not Listed	5	200.90	0.00	100.00%			361.60
10/13/93	PIPE CRIMPER		290.54	0.00	290.54	41.51		145.27
	SL FM 7.00 Omit Active New Not Listed	5	103.76	0.00	100.00%			186.78
11/09/93	PAGER		678.25	0.00	678.25	96.89		339.11
	SL FM 7.00 Omit Active New Not Listed	5	242.25	0.00	100.00%			436.00
02/15/94	NEW AIR COMPRESSOR		462.00	0.00	462.00	66.00		231.00
	SL FM 7.00 Omit Active New Not Listed	5	165.00	0.00	100.00%			297.00
05/11/94	8FT HIGH PRESSURE HOSE & FITTINGS		41.76	0.00	41.76	5.97		20.88
	SL FM 7.00 Omit Active New Not Listed	5	14.91	0.00	100.00%			26.85
05/11/94	MOWER		199.99	0.00	199.99	28.57		99.99
	SL FM 7.00 Omit Active New Not Listed	5	71.43	0.00	100.00%			128.56
06/01/94	HOMELITE BLOWER		129.95	0.00	129.95	18.56		64.96
	SL FM 7.00 Omit Active New Not Listed	5	46.43	0.00	100.00%			83.52
06/01/94	SAW CASE & BLADES		169.58	0.00	169.58	24.23		84.79
	SL FM 7.00 Omit Active New Not Listed	5	60.56	0.00	100.00%			109.02
06/01/94	DISCHARGE HOSE & SUCTION LINE		602.16	0.00	602.16	86.02		301.07
	SL FM 7.00 Omit Active New Not Listed	5	215.07	0.00	100.00%			387.09
06/01/94	3 HP GAS POWERED TEST PUMP		775.25	0.00	775.25	110.75		387.62
	SL FM 7.00 Omit Active New Not Listed	5	276.88	0.00	100.00%			498.37
06/15/94	PAGER		814.24	0.00	814.24	116.32		407.12
	SL FM 7.00 Omit Active New Not Listed	5	290.80	0.00	100.00%			523.44
09/14/94	18" CHERNE SNIDER		1,432.50	0.00	1,432.50	143.25		358.12
	SL FM 10.00 Omit Active New Not Listed	4	931.13	0.00	100.00%			501.37
11/16/94	ENGINE FOR BACKHOE		7,245.70	0.00	7,245.70	724.57		1,811.42
	SL FM 10.00 Omit Active New Not Listed	4	4,709.71	0.00	100.00%			2,535.99
05/10/95	BACKHOE		42,366.11	0.00	42,366.11	4,236.61		10,591.52
	SL FM 10.00 Omit Active New Not Listed	4	27,537.98	0.00	100.00%			14,828.13
06/01/95	HAND TOOLS		436.31	0.00	436.31	87.26		218.15
	SL FM 5.00 Omit Active New Not Listed	4	130.90	0.00	100.00%			305.41
10/10/95	GORMAN RUPP PUMP		719.22	0.00	719.22	102.75		154.12
	SL FM 7.00 Omit Active New Not Listed	3	462.35	0.00	100.00%			256.87
11/15/95	HIGH WHEEL PUSHMOWER		199.99	0.00	199.99	28.57		42.86
	SL FM 7.00 Omit Active New Not Listed	3	128.56	0.00	100.00%			71.43
06/01/96	FISHER TW-6 LOCATOR		560.70	0.00	560.70	80.10		120.15
	SL FM 7.00 Omit Active New Not Listed	3	360.45	0.00	100.00%			200.25
11/14/96	MINI GOFFER-RODING EQUIP		1,096.00	0.00	1,096.00	109.60		54.80
	SL FM 10.00 Omit Active New Not Listed	2	931.60	0.00	100.00%			164.40
06/01/97	TRIMMER		329.95	0.00	329.95	33.00		16.50
	SL FM 10.00 Omit Active New Not Listed	2	280.45	0.00	100.00%			49.50
08/12/97 (A)	METROTECH 220 VALVE BOX LOCATOR		586.25	0.00	586.25	41.88		0.00
	SL FM 7.00 Omit Active New Not Listed	1	544.37	0.00	100.00%			41.88
08/12/97 (A)	NEW PAGERS & CHARGERS		1,226.84	0.00	1,226.84	122.68		0.00
	SL FM 5.00 Omit Active New Not Listed	1	1,104.16	0.00	100.00%			122.68
08/12/97 (A)	STORAGE FOR SPARE PARTS		451.95	0.00	451.95	32.28		0.00
	SL FM 7.00 Omit Active New Not Listed	1	419.67	0.00	100.00%			32.28

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 133 - SHOPE EQUIPMENT								
08/12/97 (A)	TOOLS AT WATER PLANT	0.00	837.50	0.00	837.50	59.82	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	777.68	0.00	100.00%		59.82	
09/09/97 (A)	TOOLS	0.00	851.35	0.00	851.35	60.81	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	790.54	0.00	100.00%		60.81	
10/14/97 (A)	MASONRY SAW	0.00	750.00	0.00	750.00	53.57	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	696.43	0.00	100.00%		53.57	
03/13/98 (A)	WARREN RUPP PUMP	0.00	742.00	0.00	742.00	53.00	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	689.00	0.00	100.00%		53.00	
05/28/98 (A)	MOWER-WATER PLANT	0.00	5,719.92	0.00	5,719.92	408.57	0.00	
	SL FM 7.00 Omit Active New Not Listed	1	5,311.35	0.00	100.00%		408.57	
08/16/98 (A)	2 PUSH RODS	0.00	725.76	0.00	725.76	72.58	0.00	
	SL FM 5.00 Omit Active New Not Listed	1	653.18	0.00	100.00%		72.58	
Totals for ASSET A/C#: 133 (97 assets)			296,730.46	0.00	296,730.46	14,294.16	217,534.14	0.00
			64,902.16	0.00			231,828.30	0.00

Summary For:	133	Cost	Section 179 +	Accum. Depr.	=	Total
Beginning Balances	(88 assets)	284,838.89	0.00	217,534.14		217,534.14
+ Additions (A)	(9 assets)	11,891.57	Curr. Depr.	0.00	14,294.16	14,294.16
Subtotals		296,730.46	0.00	231,828.30		231,828.30
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00		0.00
Ending Balances	(97 assets)	296,730.46	0.00	231,828.30		231,828.30

ASSET A/C#: 154 - SEWER PLANT BUILDING

12/01/68	DISPOSAL PLANT BUILDING	0.00	22,492.87	0.00	22,492.87	449.86	13,945.58	
	SL MM 50.00 Omit Active New Not Listed	32	8,097.43	0.00	100.00%		14,395.44	
12/01/68	DISPOSAL PLANT BUILDING	0.00	1,965.00	0.00	1,965.00	39.30	1,139.70	
	SL MM 50.00 Omit Active New Not Listed	30	786.00	0.00	100.00%		1,179.00	
12/31/85	SEWER PLANT BUILDING	0.00	493,749.14	0.00	493,749.14	9,874.98	111,121.43	
	SL FM 50.00 Omit Active New Not Listed	13	372,752.73	0.00	100.00%		120,996.41	
08/31/86	CONCRETE WALKWAY	0.00	105.00	0.00	105.00	2.10	22.58	
	SL FM 50.00 Omit Active New Not Listed	12	80.32	0.00	100.00%		24.68	
01/01/92	DRYIG BEDS	0.00	3,462.42	0.00	3,462.42	69.25	380.84	
	SL FM 50.00 Omit Active New Not Listed	7	3,012.33	0.00	100.00%		450.09	
01/01/93	SEWER PLANT-CONTRACT 25	0.00	2,013,252.93	0.00	2,013,252.93	40,265.06	181,192.75	
	SL FM 50.00 Omit Active New Not Listed	6	1,791,795.12	0.00	100.00%		221,457.81	
09/01/93	CONT 25-O&M MANUAL	0.00	800.00	0.00	800.00	16.00	61.33	
	SL FM 50.00 Omit Active New Not Listed	5	722.67	0.00	100.00%		77.33	
05/16/94	FENCE	0.00	2,000.00	0.00	2,000.00	40.00	380.00	
	SL FM 50.00 Omit Active New Not Listed	5	1,580.00	0.00	100.00%		420.00	
04/21/97	SOLIDS HANDLING FACILITY	0.00	701,996.15	0.00	701,996.15	14,039.92	3,509.98	
	SL FM 50.00 Omit Active New Not Listed	2	684,446.25	0.00	100.00%		17,549.90	
08/12/97 (A)	SEWER PLANT BUILDING-FENCING	0.00	4,960.75	0.00	4,960.75	248.04	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	4,712.71	0.00	100.00%		248.04	
Totals for ASSET A/C#: 154 (10 assets)			3,244,784.26	0.00	3,244,784.26	65,044.51	311,754.19	0.00
			2,867,985.56	0.00			376,798.70	0.00

Summary For:	154	Cost	Section 179 +	Accum. Depr.	=	Total
Beginning Balances	(9 assets)	3,239,823.51	0.00	311,754.19		311,754.19
+ Additions (A)	(1 assets)	4,960.75	Curr. Depr.	0.00	65,044.51	65,044.51
Subtotals		3,244,784.26	0.00	376,798.70		376,798.70
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00		0.00
Ending Balances	(10 assets)	3,244,784.26	0.00	376,798.70		376,798.70

ASSET A/C#: 156 - SEWER DISTRIBUTION LINES

12/01/55	DISTRIBUTION LINES	0.00	145,442.79	0.00	145,442.79	2,203.68	91,711.98	
	SL MM 66.00 Omit Active New Not Listed	43	51,527.13	0.00	100.00%		93,915.66	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 156 - SEWER DISTRIBUTION LINES								
12/01/58	DISTRIBUTION LINES	0.00	2,647.02	0.00	2,647.02	40.11	1,611.67	
	SL MM 66.00 Omit Active New Not Listed	42	995.24	0.00	100.00%		1,651.78	
12/01/59	DISTRIBUTION LINES	0.00	3,517.62	0.00	3,517.62	53.30	1,953.45	
	SL MM 66.00 Omit Active New Not Listed	39	1,510.87	0.00	100.00%		2,006.75	
12/01/63	DISTRIBUIONT LINES	0.00	38.40	0.00	38.40	0.58	22.02	
	SL MM 66.00 Omit Active New Not Listed	35	15.80	0.00	100.00%		22.60	
12/01/65	DISTRIBUTION LINES	0.00	5,837.41	0.00	5,837.41	88.45	2,907.19	
	SL MM 66.00 Omit Active New Not Listed	33	2,841.77	0.00	100.00%		2,995.64	
12/01/65	DISTRIBUTION LINES	0.00	2,802.00	0.00	2,802.00	42.45	1,353.36	
	SL MM 66.00 Omit Active New Not Listed	33	1,406.19	0.00	100.00%		1,395.81	
12/01/68	DISTRIBUTION LINES	0.00	159,797.05	0.00	159,797.05	2,421.17	69,396.72	
	SL MM 66.00 Omit Active New Not Listed	30	87,979.16	0.00	100.00%		71,817.89	
04/01/73	DISTRIBUTION LINES	0.00	51,119.63	0.00	51,119.63	774.54	18,685.68	
	SL MM 66.00 Omit Active New Not Listed	26	31,659.41	0.00	100.00%		19,460.22	
05/01/74	DISTRIBUTION LINES	0.00	820.60	0.00	820.60	12.43	286.56	
	SL MM 66.00 Omit Active New Not Listed	25	521.61	0.00	100.00%		298.99	
12/01/75	DISTRIBUTION LINES	0.00	418,829.91	0.00	418,829.91	6,345.91	136,341.79	
	SL MM 66.00 Omit Active New Not Listed	23	276,142.21	0.00	100.00%		142,687.70	
12/01/75	GRANDVIEW	0.00	1,502.38	0.00	1,502.38	22.76	489.01	
	SL MM 66.00 Omit Active New Not Listed	23	990.61	0.00	100.00%		511.77	
03/01/77	SANDER & CRAIG	0.00	9,670.00	0.00	9,670.00	146.52	2,966.57	
	SL MM 66.00 Omit Active New Not Listed	22	6,556.91	0.00	100.00%		3,113.09	
03/01/77	BLEVINS & HOWER	0.00	2,000.00	0.00	2,000.00	30.30	613.50	
	SL MM 66.00 Omit Active New Not Listed	22	1,356.20	0.00	100.00%		643.80	
12/01/77	GRANVIEW	0.00	77,150.39	0.00	77,150.39	1,168.95	23,378.92	
	SL MM 66.00 Omit Active New Not Listed	21	52,602.52	0.00	100.00%		24,547.87	
12/30/78	DISTRIBUTION LINES	0.00	738.16	0.00	738.16	11.18	206.83	
	SL MM 66.00 Omit Active New Not Listed	20	520.15	0.00	100.00%		218.01	
05/31/80	INDUSTRIAL PARK	0.00	162,870.89	0.00	162,870.89	3,257.42	55,918.96	
	SL MM 50.00 Omit Active New Not Listed	19	103,694.51	0.00	100.00%		59,176.38	
12/31/80	TOWN & COUNTRY	0.00	5,081.05	0.00	5,081.05	101.62	1,676.73	
	SL MM 50.00 Omit Active New Not Listed	18	3,302.70	0.00	100.00%		1,778.35	
12/31/81	TOWN & COUNTRY	0.00	19,967.99	0.00	19,967.99	399.36	6,190.00	
	SL MM 50.00 Omit Active New Not Listed	17	13,378.63	0.00	100.00%		6,589.36	
12/31/83	SEWER DISTRIBUTION LINES	0.00	238.11	0.00	238.11	4.76	64.26	
	SL MM 50.00 Omit Active New Not Listed	15	169.09	0.00	100.00%		69.02	
12/31/84	SEWER DISTRIBUTION LINES	0.00	255,579.13	0.00	255,579.13	5,111.58	63,894.75	
	SL FM 50.00 Omit Active New Not Listed	14	186,572.80	0.00	100.00%		69,006.33	
10/10/85	SEWER DISTRIBUTION LINES	0.00	498.90	0.00	498.90	9.98	116.35	
	SL FM 50.00 Omit Active New Not Listed	13	372.57	0.00	100.00%		126.33	
04/30/87	SEWER DISTRIBUTION LINES	0.00	276,891.49	0.00	276,891.49	5,537.83	56,301.19	
	SL FM 50.00 Omit Active New Not Listed	12	215,052.47	0.00	100.00%		61,839.02	
12/30/87	SEWER DISTRIBUTION LINES	0.00	6,100.67	0.00	6,100.67	122.01	1,169.26	
	SL FM 50.00 Omit Active New Not Listed	11	4,809.40	0.00	100.00%		1,291.27	
06/30/88	SEWER DIST. LINES (MIDLAND TR.)	0.00	67,000.00	0.00	67,000.00	1,340.00	12,171.67	
	SL FM 50.00 Omit Active New Not Listed	11	53,488.33	0.00	100.00%		13,511.67	
11/01/88	TRUNK SEWER IMPROVEMENTS (CONT	0.00	168,831.78	0.00	168,831.78	3,376.64	29,264.15	
	SL FM 50.00 Omit Active New Not Listed	10	136,190.99	0.00	100.00%		32,640.79	
01/01/89	SEWER DISTRIBUTION MAINS	0.00	2,078.12	0.00	2,078.12	41.56	353.26	
	SL FM 50.00 Omit Active New Not Listed	10	1,683.30	0.00	100.00%		394.82	
01/01/89	SEWER EXTENSION ON 7TH STREET	0.00	115,022.59	0.00	115,022.59	2,300.45	19,553.83	
	SL FM 50.00 Omit Active New Not Listed	10	93,168.31	0.00	100.00%		21,854.28	
03/01/90	BECKAERT TO HIGH GRADE	0.00	5,000.00	0.00	5,000.00	100.00	733.33	
	SL FM 50.00 Omit Active New Not Listed	9	4,166.67	0.00	100.00%		833.33	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 156 - SEWER DISTRIBUTION LINES								
06/30/90	SEWER SYSTEM REHAD-PHASE 2	0.00	444,410.06	0.00	444,410.06	8,888.20	67,137.60	
	SL FM 50.00 Omit Active New Not Listed	9	368,384.26	0.00	100.00%		76,025.80	
06/30/90	CIRCLE DRIVE REHAB.	0.00	13,318.55	0.00	13,318.55	266.37	1,886.79	
	SL FM 50.00 Omit Active New Not Listed	9	11,165.39	0.00	100.00%		2,153.16	
02/01/91	SEWER DISTRIBUTION MAINS	0.00	20,765.82	0.00	20,765.82	415.32	2,664.93	
	SL FM 50.00 Omit Active New Not Listed	8	17,685.57	0.00	100.00%		3,080.25	
01/01/92	SEWER DISTRIBUTION MAINS	0.00	48,352.76	0.00	48,352.76	967.06	5,318.80	
	SL FM 50.00 Omit Active New Not Listed	7	42,066.90	0.00	100.00%		6,285.86	
01/01/94	HWY 55 PUMP STATION FORCE MAIN	0.00	268,575.01	0.00	268,575.01	5,371.50	18,800.25	
	SL FM 50.00 Omit Active New Not Listed	5	244,403.26	0.00	100.00%		24,171.75	
01/12/94	FORCE MAIN HI POINT PUMP	0.00	6,571.71	0.00	6,571.71	131.43	460.01	
	SL FM 50.00 Omit Active New Not Listed	5	5,980.27	0.00	100.00%		591.44	
01/01/95	SEWER DISTRIBUTION MAINS	0.00	42,089.99	0.00	42,089.99	841.80	2,104.50	
	SL FM 50.00 Omit Active New Not Listed	4	39,143.69	0.00	100.00%		2,946.30	
01/01/96	SEWER DISTRIBUTION MAINS	0.00	64,656.36	0.00	64,656.36	1,293.13	1,939.69	
	SL FM 50.00 Omit Active New Not Listed	3	61,423.54	0.00	100.00%		3,232.82	
12/31/96	SEWER DIST MAINS	0.00	248.43	0.00	248.43	4.97	17.29	
	SL FM 50.00 Omit Active New Not Listed	2	226.17	0.00	100.00%		22.26	
05/14/97	2ND STREET SEWERS BTWEEN	0.00	56,285.35	0.00	56,285.35	1,125.71	187.62	
	SL FM 50.00 Omit Active New Not Listed	2	54,972.02	0.00	100.00%		1,313.33	
Totals for ASSET A/C#: 156								
			(38 assets)	2,932,348.12	0.00	2,932,348.12	54,371.03	699,850.47
				2,178,126.62	0.00		754,221.50	0.00

Summary For: 156

	Cost	Section 179 +	Accum. Depr.	= Total
Beginning Balances (38 assets)	2,932,348.12	0.00	699,850.47	699,850.47
+ Additions (A) (0 assets)	0.00	Curr. Depr. 0.00	54,371.03	54,371.03
Subtotals	2,932,348.12	0.00	754,221.50	754,221.50
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00	0.00
Ending Balances (38 assets)	2,932,348.12	0.00	754,221.50	754,221.50

ASSET A/C#: 158 - SEWER MANHOLES

12/01/55	MANHOLES	0.00	50,564.00	0.00	50,564.00	766.12	31,869.53	
	SL MM 66.00 Omit Active New Not Listed	43	17,928.35	0.00	100.00%		32,635.65	
12/01/56	MANHOLES	0.00	1,829.10	0.00	1,829.10	27.71	1,109.58	
	SL MM 66.00 Omit Active New Not Listed	42	691.81	0.00	100.00%		1,137.29	
04/01/73	MANHOLES	0.00	4,584.89	0.00	4,584.89	69.47	1,675.86	
	SL MM 66.00 Omit Active New Not Listed	26	2,839.56	0.00	100.00%		1,745.33	
12/30/78	MANHOLES	0.00	345.00	0.00	345.00	5.23	96.67	
	SL MM 66.00 Omit Active New Not Listed	20	243.10	0.00	100.00%		101.90	
04/30/79	MANHOLES	0.00	1,713.83	0.00	1,713.83	25.97	471.71	
	SL MM 66.00 Omit Active New Not Listed	20	1,216.15	0.00	100.00%		497.68	
12/31/85	MANHOLES	0.00	37,400.91	0.00	37,400.91	566.68	6,516.82	
	SL FM 66.00 Omit Active New Not Listed	13	30,317.41	0.00	100.00%		7,083.50	
04/30/87	MANHOLES	0.00	36,708.29	0.00	36,708.29	556.19	5,654.52	
	SL FM 66.00 Omit Active New Not Listed	12	30,497.58	0.00	100.00%		6,210.71	
12/30/87	MANHOLES	0.00	581.31	0.00	581.31	8.81	84.36	
	SL FM 66.00 Omit Active New Not Listed	11	488.14	0.00	100.00%		93.17	
01/01/89	MANHOLES	0.00	2,038.71	0.00	2,038.71	30.89	262.50	
	SL FM 66.00 Omit Active New Not Listed	10	1,745.32	0.00	100.00%		293.39	
06/30/90	SEWER MANHOLES-SEWER REHAB	0.00	41,110.00	0.00	41,110.00	622.88	4,360.11	
	SL FM 66.00 Omit Active New Not Listed	9	36,127.01	0.00	100.00%		4,982.99	
09/30/90	SEWER MANHOLES	0.00	5,202.68	0.00	5,202.68	78.83	538.63	
	SL FM 66.00 Omit Active New Not Listed	8	4,585.22	0.00	100.00%		617.46	
01/01/92	SEWER MANHOLES	0.00	4,817.75	0.00	4,817.75	96.36	529.95	
	SL FM 50.00 Omit Active New Not Listed	7	4,191.44	0.00	100.00%		626.31	

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Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 158 - SEWER MANHOLES								
01/01/93	MANHOLE-CONTRACT 25	0.00	635.35	0.00	635.35	12.71	57.17	
	SL FM 50.00 Omit Active New Not Listed	6	565.47	0.00	100.00%		69.88	
01/01/95	SEWER MANHOLES	0.00	625.81	0.00	625.81	12.52	31.30	
	SL FM 50.00 Omit Active New Not Listed	4	581.99	0.00	100.00%		43.82	
01/01/96	SEWER MANHOLES	0.00	1,161.90	0.00	1,161.90	23.24	34.86	
	SL FM 50.00 Omit Active New Not Listed	3	1,103.80	0.00	100.00%		58.10	
12/31/96	SEWER MANHOLES	0.00	4,573.05	0.00	4,573.05	91.46	53.35	
	SL FM 50.00 Omit Active New Not Listed	2	4,428.24	0.00	100.00%		144.81	
06/30/98 (A)	SEWER MANHOLES	0.00	1,071.30	0.00	1,071.30	1.35	0.00	
	SL FM 66.00 Omit Active New Not Listed	1	1,069.95	0.00	100.00%		1.35	
Totals for ASSET A/C#: 158			194,963.88	0.00	194,963.88	2,996.42	53,346.92	0.00
			138,620.54	0.00			56,343.34	0.00

Summary For: 158

	Cost	Section 179 + Accum. Depr.	= Total
Beginning Balances (16 assets)	193,892.58	0.00	53,346.92
+ Additions (A) (1 assets)	1,071.30	Curr. Depr. 0.00	2,996.42
Subtotals	194,963.88	0.00	56,343.34
- Disposals (D) and Trades (T) (0 assets)	0.00	0.00	0.00
Ending Balances (17 assets)	194,963.88	0.00	56,343.34

ASSET A/C#: 160 - SEWER PLANT EQUIPMENT

12/01/66	EQUIPMENT	0.00	324,339.19	0.00	324,339.19	0.00	324,339.19	
	SL MM 20.00 Omit Active New Not Listed	32	0.00	0.00	100.00%		324,339.19	
04/01/73	PUMPING STATION BUCK	0.00	43,539.18	0.00	43,539.18	659.68	17,728.93	
	SL MM 66.00 Omit Active New Not Listed	26	25,150.57	0.00	100.00%		18,388.61	
10/01/74	SEPTIC TANKS & BE	0.00	29,087.22	0.00	29,087.22	727.18	16,543.34	
	SL MM 40.00 Omit Active New Not Listed	24	11,816.70	0.00	100.00%		17,270.52	
12/01/75	ENGR COST BEDS	0.00	2,327.18	0.00	2,327.18	58.18	1,250.79	
	SL MM 40.00 Omit Active New Not Listed	23	1,018.21	0.00	100.00%		1,308.97	
12/01/75	PUMPING STATION	0.00	51,045.48	0.00	51,045.48	1,276.14	27,436.93	
	SL MM 40.00 Omit Active New Not Listed	23	22,332.41	0.00	100.00%		28,713.07	
12/01/77	PUMPING STATION TOWN	0.00	20,225.00	0.00	20,225.00	505.63	10,112.42	
	SL MM 40.00 Omit Active New Not Listed	21	9,606.95	0.00	100.00%		10,618.05	
08/01/81	SEWAGE SAMPLER	0.00	2,083.76	0.00	2,083.76	0.00	2,083.76	
	SL FM 10.00 Omit Active New Not Listed	17	0.00	0.00	100.00%		2,083.76	
12/01/84	16' BUCKET CONVEYOR	0.00	4,472.00	0.00	4,472.00	0.00	4,472.00	
	SL FM 10.00 Omit Active New Not Listed	14	0.00	0.00	100.00%		4,472.00	
12/31/84	SPRING VALLEY LIFT STATION	0.00	46,258.79	0.00	46,258.79	1,156.47	14,455.79	
	SL FM 40.00 Omit Active New Not Listed	14	30,646.53	0.00	100.00%		15,612.26	
12/31/85	SEWER PLANT EQUIPMENT	0.00	3,779,268.77	0.00	3,779,268.77	62,987.81	708,612.86	
	SL FM 60.00 Omit Active New Not Listed	13	3,007,668.10	0.00	100.00%		771,600.67	
09/01/87	SEWER SAMPLER	0.00	1,531.30	0.00	1,531.30	25.52	650.76	
	SL FM 60.00 Omit Active New Not Listed	11	855.02	0.00	100.00%		676.28	
10/01/87	RADIOS	0.00	2,413.10	0.00	2,413.10	120.66	2,292.44	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		2,413.10	
05/01/88	BACKFLOW PREVENTOR	0.00	719.93	0.00	719.93	36.03	683.90	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		719.93	
05/01/88	HYDROMATIC PUMP	0.00	679.00	0.00	679.00	33.95	645.05	
	SL FM 10.00 Omit Active New Not Listed	11	0.00	0.00	100.00%		679.00	
08/01/89	2910 SAMPLER AND SUSPENSION	0.00	1,904.00	0.00	1,904.00	190.40	1,428.00	
	SL FM 10.00 Omit Active New Not Listed	9	285.60	0.00	100.00%		1,618.40	
09/01/89	MOTOR/PUMP CONTROLS LAKEVIEW P	0.00	1,450.00	0.00	1,450.00	145.00	1,087.50	
	SL FM 10.00 Omit Active New Not Listed	9	217.50	0.00	100.00%		1,232.50	
09/01/89	MOWER (SEARS)	0.00	208.89	0.00	208.89	20.89	156.62	
	SL FM 10.00 Omit Active New Not Listed	9	31.38	0.00	100.00%		177.51	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
ASSET A/C#: 160 - SEWER PLANT EQUIPMENT								
10/01/89	PUMP	0.00	1,411.77	0.00	1,411.77	141.18	1,058.79	
	SL FM 10.00 Omit Active New Not Listed	9	211.80	0.00	100.00%		1,199.97	
04/01/90	PAVING AT PEACE IND PARK PUMP STA	0.00	1,442.00	0.00	1,442.00	144.20	1,081.50	
	SL FM 10.00 Omit Active New Not Listed	9	216.30	0.00	100.00%		1,225.70	
05/01/90	CONTROLS TO FLOAT SYSTEM FRM	0.00	1,270.00	0.00	1,270.00	127.00	952.50	
	SL FM 10.00 Omit Active New Not Listed	9	190.50	0.00	100.00%		1,079.50	
06/01/90	PAVING AT BRADSHOW PUMP STATION	0.00	1,730.00	0.00	1,730.00	173.00	1,297.50	
	SL FM 10.00 Omit Active New Not Listed	9	259.50	0.00	100.00%		1,470.50	
06/01/90	COMPLETE UPGRADE & CHANGE PUMP	0.00	1,334.00	0.00	1,334.00	133.40	1,000.50	
	SL FM 10.00 Omit Active New Not Listed	9	200.10	0.00	100.00%		1,133.90	
03/01/91	MOWER AND SULKY	0.00	3,850.00	0.00	3,850.00	385.00	2,502.50	
	SL FM 10.00 Omit Active New Not Listed	8	962.50	0.00	100.00%		2,887.50	
07/01/91	CONT 20 ADDTL ENG LEFT OFF 6/91 AU	0.00	17,095.00	0.00	17,095.00	427.38	2,564.24	
	SL FM 40.00 Omit Active New Not Listed	7	14,103.38	0.00	100.00%		2,991.62	
09/01/91	BUCKET FOR BOBCAT	0.00	568.10	0.00	568.10	56.81	312.45	
	SL FM 10.00 Omit Active New Not Listed	7	198.84	0.00	100.00%		369.26	
09/01/91	ANTENNA TELEMARKETING SYSTEM	0.00	3,136.42	0.00	3,136.42	313.64	1,725.02	
	SL FM 10.00 Omit Active New Not Listed	7	1,097.76	0.00	100.00%		2,038.66	
01/01/92	3 PUMP STATIONS (CONTRACT 20)	0.00	330,762.11	0.00	330,762.11	8,269.05	45,479.78	
	SL FM 40.00 Omit Active New Not Listed	7	277,013.28	0.00	100.00%		53,748.83	
01/01/92	TOWN & COUNTRY PUMP STATION	0.00	89,733.38	0.00	89,733.38	2,243.33	12,338.32	
	SL FM 40.00 Omit Active New Not Listed	7	75,151.73	0.00	100.00%		14,581.65	
01/01/92	PUMP	0.00	5,293.30	0.00	5,293.30	529.33	2,911.31	
	SL FM 10.00 Omit Active New Not Listed	7	1,852.66	0.00	100.00%		3,440.64	
01/01/92	FORKLIFT ATTACHMENT-BOBCAT	0.00	848.00	0.00	848.00	84.80	466.40	
	SL FM 10.00 Omit Active New Not Listed	7	296.80	0.00	100.00%		551.20	
01/01/92	TRAFFIC BARRIERS 55 PUMP STATION	0.00	356.89	0.00	356.89	35.69	196.26	
	SL FM 10.00 Omit Active New Not Listed	7	124.94	0.00	100.00%		231.95	
01/01/92	NEW HOSES & NOZZLE	0.00	406.27	0.00	406.27	58.04	319.18	
	SL FM 7.00 Omit Active New Not Listed	7	29.05	0.00	100.00%		377.22	
10/13/92	REDESIGN DRIVE SHAFTS/BEARINGS	0.00	3,918.04	0.00	3,918.04	195.90	930.53	
	SL FM 20.00 Omit Active New Not Listed	6	2,791.61	0.00	100.00%		1,126.43	
11/11/92	MONORAILS	0.00	6,035.24	0.00	6,035.24	301.76	1,408.21	
	SL FM 20.00 Omit Active New Not Listed	6	4,325.27	0.00	100.00%		1,709.97	
11/11/92	PUMP DIGESTER WITH IMPELLER	0.00	1,951.15	0.00	1,951.15	97.56	455.26	
	SL FM 20.00 Omit Active New Not Listed	6	1,398.33	0.00	100.00%		552.82	
12/09/92	2 TROLLEY AND HOIST	0.00	648.59	0.00	648.59	32.43	148.62	
	SL FM 20.00 Omit Active New Not Listed	6	467.54	0.00	100.00%		181.05	
01/01/93	SEWER PLANT EQUIP-CONTRACT	0.00	818,262.50	0.00	818,262.50	27,275.42	122,739.37	
	SL FM 30.00 Omit Active New Not Listed	6	668,247.71	0.00	100.00%		150,014.79	
09/15/93	NEW DO METER & PROBE	0.00	1,033.11	0.00	1,033.11	103.31	361.58	
	SL FM 10.00 Omit Active New Not Listed	5	568.22	0.00	100.00%		464.89	
02/15/94	NEW SCUM PUMP	0.00	2,857.38	0.00	2,857.38	285.74	1,000.07	
	SL FM 10.00 Omit Active New Not Listed	5	1,571.57	0.00	100.00%		1,285.81	
03/15/94	ROTO TILLER	0.00	299.99	0.00	299.99	42.86	149.99	
	SL FM 7.00 Omit Active New Not Listed	5	107.14	0.00	100.00%		192.85	
08/09/94	BEARING HOUSING AUGER SHAFT-NEW	0.00	2,048.13	0.00	2,048.13	204.81	512.02	
	SL FM 10.00 Omit Active New Not Listed	4	1,331.30	0.00	100.00%		716.83	
09/13/94	COMPACTOR SYSTEM	0.00	1,119.00	0.00	1,119.00	111.90	279.75	
	SL FM 10.00 Omit Active New Not Listed	4	727.35	0.00	100.00%		391.65	
03/14/95	COMPOSITE SAMPLER FOR	0.00	1,750.00	0.00	1,750.00	175.00	437.50	
	SL FM 10.00 Omit Active New Not Listed	4	1,137.50	0.00	100.00%		612.50	
05/10/95	PORTABLE GENERATOR	0.00	1,150.00	0.00	1,150.00	115.00	287.50	
	SL FM 10.00 Omit Active New Not Listed	4	747.50	0.00	100.00%		402.50	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

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Date: 06/10/99

Date Acq	Description	Inv. Cr.	Cost	Sec. 179	Depr Basis	Curr. Depr	Beg A/Depr	Sell Price
Date Sold	Meth - Conv - Life - ITC - Stat - New - Listed	Depr. Yr.	Net Book Value	Salvage Value	Bus. Percent		End A/Depr	Gain/Loss
ASSET A/C#: 160 - SEWER PLANT EQUIPMENT								
10/11/95	NEW CONTROLLER-SOLID STATE FOR	0.00	2,360.59	0.00	2,360.59	236.06	354.09	
	SL FM 10.00 Omit Active New Not Listed	3	1,770.44	0.00	100.00%		590.15	
06/01/96	DEHUMIDIER FOR HYW 55 PUMP	0.00	449.63	0.00	449.63	44.96	67.44	
	SL FM 10.00 Omit Active New Not Listed	3	337.23	0.00	100.00%		112.40	
06/11/96	NEW PH, CL2, NH3 ANALYZER	0.00	2,348.36	0.00	2,348.36	234.84	352.26	
	SL FM 10.00 Omit Active New Not Listed	3	1,761.26	0.00	100.00%		587.10	
09/10/96	ABS PUMP	0.00	2,319.86	0.00	2,319.86	231.99	115.99	
	SL FM 10.00 Omit Active New Not Listed	2	1,971.88	0.00	100.00%		347.98	
10/16/96	PUMP	0.00	2,410.07	0.00	2,410.07	241.01	120.50	
	SL FM 10.00 Omit Active New Not Listed	2	2,048.56	0.00	100.00%		361.51	
10/16/96	NEW STAINLESS STEEL CHAIN FOR	0.00	3,021.18	0.00	3,021.18	151.06	113.29	
	SL FM 20.00 Omit Active New Not Listed	2	2,756.83	0.00	100.00%		264.35	
10/16/96	MYERS PUMP	0.00	2,672.00	0.00	2,672.00	267.20	133.60	
	SL FM 10.00 Omit Active New Not Listed	2	2,271.20	0.00	100.00%		400.80	
03/13/97	PHASE CONVERTER-BRENTWOOD	0.00	1,362.87	0.00	1,362.87	68.14	22.71	
	SL FM 20.00 Omit Active New Not Listed	2	1,272.02	0.00	100.00%		90.85	
03/13/97	SPHERICAL ROLLER BEARING	0.00	1,729.31	0.00	1,729.31	86.47	28.82	
	SL FM 20.00 Omit Active New Not Listed	2	1,614.02	0.00	100.00%		115.29	
03/13/97	NEW MAJOR VALVE	0.00	1,659.80	0.00	1,659.80	165.98	82.99	
	SL FM 10.00 Omit Active New Not Listed	2	1,410.83	0.00	100.00%		248.97	
03/13/97	HUMIDIFIER	0.00	642.04	0.00	642.04	64.20	32.10	
	SL FM 10.00 Omit Active New Not Listed	2	545.74	0.00	100.00%		96.30	
04/01/97	DEHUMIDIFIER	0.00	324.41	0.00	324.41	32.44	16.22	
	SL FM 10.00 Omit Active New Not Listed	2	275.75	0.00	100.00%		48.66	
05/13/97	AIR COMPRESSOR	0.00	1,699.29	0.00	1,699.29	169.93	84.96	
	SL FM 10.00 Omit Active New Not Listed	2	1,444.40	0.00	100.00%		254.89	
05/14/97	RENOVATE 4 SLUDGE DRING BEDS	0.00	3,695.38	0.00	3,695.38	369.54	184.77	
	SL FM 10.00 Omit Active New Not Listed	2	3,141.07	0.00	100.00%		554.31	
08/12/97 (A)	FLOW MONITORING EQUIP FLOOD	0.00	1,766.80	0.00	1,766.80	88.34	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,678.46	0.00	100.00%		88.34	
08/12/97 (A)	S02 SCALES	0.00	1,085.15	0.00	1,085.15	54.26	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,030.89	0.00	100.00%		54.26	
08/12/97 (A)	SURGE SUPPRESSOR NEMO4	0.00	9,414.00	0.00	9,414.00	470.70	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	8,943.30	0.00	100.00%		470.70	
10/14/97 (A)	OVERHAUL 3 PUMPS AT PUMP STATIONS	0.00	4,609.03	0.00	4,609.03	230.45	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	4,378.58	0.00	100.00%		230.45	
10/31/97 (A)	GRAVITY SEWER SYSTEM (WEBB &	0.00	20,000.00	0.00	20,000.00	750.00	0.00	
	SL FM 20.00 Omit Active New Not Listed	1	19,250.00	0.00	100.00%		750.00	
11/11/97 (A)	OVEN	0.00	409.74	0.00	409.74	20.49	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	389.25	0.00	100.00%		20.49	
01/12/98 (A)	FOXCROFT FLOW PROPORTION	0.00	1,859.47	0.00	1,859.47	92.97	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,766.50	0.00	100.00%		92.97	
01/13/98 (A)	REPLACEMENT OF SLUDGE PUMP	0.00	7,129.68	0.00	7,129.68	356.48	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	6,773.20	0.00	100.00%		356.48	
02/10/98 (A)	SAMPLER	0.00	1,930.30	0.00	1,930.30	96.52	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	1,833.78	0.00	100.00%		96.52	
06/01/98 (A)	PUMP-SECONDARY SLUDGE RETURN	0.00	2,489.00	0.00	2,489.00	124.45	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	2,364.55	0.00	100.00%		124.45	
06/16/98 (A)	FILTER BACK PUMP & VAC SHIELD	0.00	625.88	0.00	625.88	31.29	0.00	
	SL FM 10.00 Omit Active New Not Listed	1	594.59	0.00	100.00%		31.29	

Asset Depreciation Report - Sorted by ASSET A/C#

Company: SHELBYVILLE MUNICIPAL WATER & SEWER

Year End: 06/30/98

Method: 1 - FEDERAL

Date: 06/10/99

Date Acq Date Sold	Description Meth - Conv - Life - ITC - Stat - New - Listed	Inv. Cr. Depr. Yr.	Cost Net Book Value	Sec. 179 Salvage Value	Depr Basis Bus. Percent	Curr. Depr	Beg A/Depr End A/Depr	Sell Price Gain/Loss
Totals for ASSET A/C#: 160 (69 assets)			5,689,877.00	0.00	5,689,877.00	114,686.85	1,338,606.67	0.00
			4,236,583.48	0.00			1,453,293.52	0.00

Summary For: 160		Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances	(58 assets)	5,638,557.95	0.00	1,338,606.67	1,338,606.67
+ Additions (A)	(11 assets)	51,319.05	Curr. Depr. 0.00	114,686.85	114,686.85
Subtotals		5,689,877.00	0.00	1,453,293.52	1,453,293.52
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(69 assets)	5,689,877.00	0.00	1,453,293.52	1,453,293.52

ASSET A/C#: 162 - SEWER PLANT-OFFICE EQUIP.

12/01/66	DISTRIBUTION PLANT BUILDING	0.00	2,500.00	0.00	2,500.00	0.00	2,500.00	
	SL FM 10.00 Omit Active New Not Listed	32	0.00	0.00	100.00%		2,500.00	
12/31/85	OFFICE EQUIPMENT	0.00	11,211.77	0.00	11,211.77	560.59	6,446.70	
	SL FM 20.00 Omit Active New Not Listed	13	4,204.48	0.00	100.00%		7,007.29	
02/01/91	PAGER	0.00	385.00	0.00	385.00	38.50	250.25	
	SL FM 10.00 Omit Active New Not Listed	8	96.25	0.00	100.00%		288.75	
03/14/91	COMPUTER & PRINTER	0.00	2,500.00	0.00	2,500.00	500.00	1,000.00	
	SL FM 5.00 Omit Active New Not Listed	8	1,000.00	0.00	100.00%		1,500.00	
06/14/95	MICROSCOPE	0.00	1,500.00	0.00	1,500.00	214.29	535.72	
	SL FM 7.00 Omit Active New Not Listed	4	749.99	0.00	100.00%		750.01	
Totals for ASSET A/C#: 162 (5 assets)			18,096.77	0.00	18,096.77	1,313.38	10,732.67	0.00
			6,050.72	0.00			12,046.05	0.00

Summary For: 162		Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances	(5 assets)	18,096.77	0.00	10,732.67	10,732.67
+ Additions (A)	(0 assets)	0.00	Curr. Depr. 0.00	1,313.38	1,313.38
Subtotals		18,096.77	0.00	12,046.05	12,046.05
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(5 assets)	18,096.77	0.00	12,046.05	12,046.05

Grand totals for all accounts: (607 assets)			24,464,399.59	0.00	24,462,335.44	550,622.37	6,985,375.24	0.00
			16,928,401.98	2,064.15			7,535,997.61	0.00

Summary For Grand Totals		Cost	Section 179	+ Accum. Depr.	= Total
Beginning Balances	(553 assets)	24,123,021.68	0.00	6,985,375.24	6,985,375.24
+ Additions (A)	(54 assets)	341,377.91	Curr. Depr. 0.00	550,622.37	550,622.37
Subtotals		24,464,399.59	0.00	7,535,997.61	7,535,997.61
- Disposals (D) and Trades (T)	(0 assets)	0.00	0.00	0.00	0.00
Ending Balances	(607 active assets)	24,464,399.59	0.00	7,535,997.61	7,535,997.61

	Cost	Curr Depr	End A/Depr
Depreciable assets: (607 assets, 0 disposed)	24,464,399.59	550,622.37	7,535,997.61
Amortizable assets: (0 assets, 0 disposed)	0.00	0.00	0.00

Codes that may appear next to the date acquired include: A - Addition, D - Disposal, T - Traded, I - Inactive

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2888

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6181

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

SAMUEL G. BRIDGE

August 2, 1999

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AUG 3 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

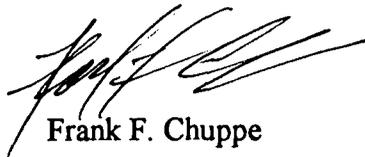
RE: Case No. 99-265
In the Matter of: An Application of the Shelbyville Municipal
Water and Sewer Commission for a Rate Adjustment to
West Shelby Water District

Dear Stephanie:

Enclosed please find the Shelbyville Municipal Water and Sewer Commission's Application for Adjustment in Rate to West Shelby Water District which we are submitting for filing to the Public Service Commission. Thank you for your cooperation and please let me know if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFC\BELL.LTR.wpd

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 99-265

An Application of the Shelbyville Municipal
Water and Sewer Commission for a Rate
Adjustment to West Shelby Water District

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COMMISSION

**SHELBYVILLE MUNICIPAL WATER AND SEWER
COMMISSION'S APPLICATION FOR ADJUSTMENT
IN RATE TO WEST SHELBY WATER DISTRICT**

The Shelbyville Municipal Water and Sewer Commission (hereinafter referred to as "Shelbyville") states that it initiates this proceeding to seek the Public Service Commission's (hereinafter "Commission") approval to adjust its water rates to one customer, West Shelby Water District. Shelbyville operates a water system in the City of Shelbyville and other parts of Shelby County, Kentucky. Shelbyville respectfully submits that it is not clear whether the proposed increase to this single customer brings this application under the purview of 807 KAR 5:001, Section 10. Nonetheless, to avoid a dispute on this issue, Shelbyville lists below its response to 807 KAR 5:001, Section 10.

Response to 807 KAR 5:001, Section 10(a):

1. A statement of the reason the adjustment is required. The adjustment is required to enable Shelbyville to collect an adequate rate from its largest customer, West Shelby Water District. Shelbyville must generate the necessary funds to meet its debt service obligations, to provide for continued operation and maintenance of its facilities, and to generate a reasonable rate of return on the system to the City of Shelbyville. The rates currently charged to the West Shelby Water

District are insufficient to allow the City to do that. The proposed rate would reflect the actual cost of providing water to West Shelby to reach the objectives stated herein.

2. A statement that the utility's annual reports, including the annual report for the recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1).

2. These provisions do not apply because as a municipal water company, Shelbyville does not have to produce annual reports nor file them with the Commission.

3. If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out-of-state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.

3. Shelbyville is not a corporation; thus, this provision does not apply.

4. If the utility is a limited partnership, a certified copy of the limited partnership agreement and all amendments thereto or out-of-state documents of similar import. If the utility's limited partnership agreement and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.

4. Shelbyville is not a limited partnership; thus, this provision does not apply.

5. If the utility is incorporated or is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date of the application is filed.

5. The provision is not applicable because Shelbyville is not a corporation or limited partnership.

6. A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.

6. Shelbyville always conducts business as the Shelbyville Municipal Water and Sewer Commission and has never filed a Certificate of Assumed Name as such certificate is not necessary.

7. The proposed tariff in a form which complies with 807 KAR 5:011 with an effective date of not less than thirty (30) days from the date the application is filed.

7. Shelbyville does not have a tariff on file with the Commission, but has attached as Appendix A, the relevant information in tariff form.

8. The utility's proposed tariff changes, identified in compliance with 807 KAR 5:011, shown either by:

a. Providing the present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or

b. Providing a copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions; and

8. This information is attached as Appendix A.

9. A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of this notice.

9. Shelbyville has complied with subsections (3) and (4) of this section. A copy of said notice is attached hereto as Appendix B.

Response to 807 KAR 5:001, Section 10(6):

(6) All applications supported by a historical test period shall include the following information or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(a) A complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.

(a) This information is contained in the Cost of Service Study that is filed with this application and identified as Appendix C.

(b) If the utility has gross annual reserves greater than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application.

(b) Shelbyville will file written testimony in accordance with the case management order as set by the Commission.

(c) If the utility has gross annual revenues less than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application or a statement that the utility does not plan to submit any prepared testimony.

(c) Not applicable because Shelbyville's gross annual revenues exceed \$1,000,000.

(d) A statement estimating the effect that the new rate(s) will have upon the revenues of the utility including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease.

(d) It is estimated that an increase to \$1.88 per 1,000 gallons would increase Shelbyville's water revenue by approximately \$62,500 per year, an increase of approximately 4.3%

of Shelbyville's overall water revenues from the West Shelby Water District, which is an increase of 2.5% of Shelbyville's combined water and sewer revenues.

(e) If the utility provides electric, gas, water or sewer service the effect upon the average bill for each customer classification to which the proposed rate change will apply.

(e) It is estimated that an increase to \$1.88 per 1,000 gallons would increase West Shelby Water District's water bill to Shelbyville by approximately \$62,500 a year, a 37.2% increase.

(f) If the utility is a local exchange company the effect upon the average bill for each customer class for the proposed rate change in basic local service.

(f) Not applicable.

(g) An analysis of customers' bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class.

(g) This provision is not applicable because there is only one wholesale rate.

(h) A summary of the utility's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

(h) See Appendix C.

(i) A reconciliation of the rate base and capital used to determine its revenue requirements.

(i) See Appendix C.

(j) A current chart of accounts if more detailed than the Uniform System of Accounts prescribed by the Commission.

(j) The chart of accounts is attached as Appendix D.

(k) The independent auditor's annual report, with any written communications from the independent auditor to the utility which indicates the existence of a material weakness in the utility's internal controls.

(k) The independent auditor's annual report is attached as Appendix E. There are no written communications from the auditor indicating a material weakness in the utility's internal controls.

(l) The most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.

(l) Not applicable.

(m) The most recent Federal Energy Regulatory Commission Form 1 (electric) Federal Energy Regulatory Commission Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone).

(m) Not Applicable.

(n) A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.

(n) See Appendix F.

Paragraphs (o) through (v) of subsection 6 of 807 KAR 5:001, Section 10, are not applicable to Shelbyville.

Respectfully submitted,

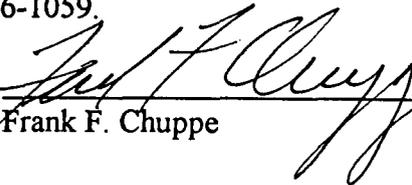


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and
Sewer Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 2nd day of August 1999, upon West Shelby Water District, P.O. Box 26, Simpsonville, Kentucky 40067; and Donald T. Prather, Esq., Mathis, Riggs & Prather, 500 Main Street, P.O. Box 1059, Shelbyville, KY 40066-1059.



Frank F. Chuppe



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460
June 30, 1999

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

Gene P. Fouts
Manager
Shelbyville Municipal Water
& Sewer Commission
1059 Washington Street
P. O. Box 608
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY 40202 2898

RE: Case No. 99-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Rates – General)

Case No. 99-031
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Complaint – Rates) OF WEST SHELBY WATER DISTRICT

This letter is to acknowledge receipt of a notice of intent to file a rate application. The notice was filed as part of a filing in Case No. 99-031. We do understand that the notice relates to Case No. 99-031. However, the notice is being established as a new case. The notice was received on June 10, 1999, and has been assigned Case No. 99-265. In all future correspondence or filings made in connection with the rate application, please reference Case No. 99-265.

If I can be of any help on procedural matters, please feel free to contact me at 502/564-3940.

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/jc



WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

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JUN 10 1999

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

PUBLIC SERVICE
COMMISSION

25 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

June 9, 1999

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. ~~99-031~~ 99-265

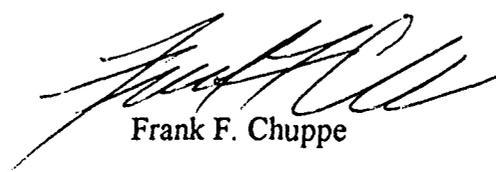
Stephanie
Dear Ms. Bell:

Enclosed please the Defendant's Motion to Modify Scheduling Order in the above case. In addition, please find a Notice of Intent we are filing on behalf of the Shelbyville Municipal Water and Sewer Commission. Technically, this Notice is not part of the above-referenced case, although it is related to it. Therefore, I wasn't sure whether we should assign the same case number as the above-referenced case.

Thank you for your attention to this matter and please don't hesitate to contact me if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg

Enclosures

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 10 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

An Application of the Shelbyville Municipal Water and Sewer
Commission for a Rate Adjustment to West Shelby Water District

NOTICE OF INTENT

The Shelbyville Municipal Water and Sewer Commission hereby notifies the Commonwealth of Kentucky Attorney General, Intervention and Rate Division, P.O. Box 2000, Frankfort, KY 40602-2000, of its intent to apply to the Public Service Commission for an increase in its rate for the sale of water to the West Shelby Water District. The rate application will be supported by an historical test period.

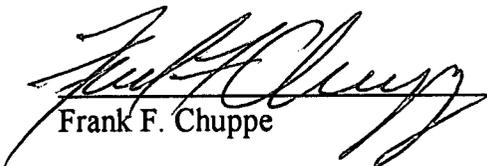
Respectfully submitted,



Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336
Counsel for Shelbyville Municipal Water and Sewer
Commission

CERTIFICATE OF SERVICE

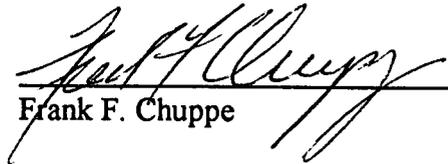
I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 9th day of June, 1999, upon Donald T. Prather, Esq., Mathis, Riggs & Prather, 500 Main Street, P.O. Box 1059, Shelbyville, KY 40066-1059; Attorney General A. B. Chandler, III, Office of Attorney General, Capitol Building, Suite 118, Frankfort, KY 40601; Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Frankfort, KY 40601.



Frank F. Chuppe

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 9th day of June, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066.



Frank F. Chuppe

E:\FFCWESTSHELBY.MTM.wpd